PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND COMPLIANCE DIVISION
Advisory Branch

RESOLUTION E-3077
January 19, 1988

RESOLUTION

SOUTHERN CALIFORNIA EDISON COMPANY. ORDER AUTHORIZING RATE CHANGES, ACCOUNTING CHANGES AND TARIFF REVISIONS ASSOCIATED WITH COMMERCIAL OPERATING DATE FOR PALO VERDE NUCLEAR GENERATING STATION UNIT 3.

(Advice No. 777-E, filed January 4, 1988.)

SUMMARY

Because commercial operation of Palo Verde Nuclear Generating Station Unit 3 is imminent and because no rate treatment for the costs of owning and operating the plant unit is in place, Southern California Edison Company requests that base rates be increased to cover non-investment and decommissioning costs, that Energy Cost Adjustment Clause rates and the Annual Energy Rate be decreased to reflect fuel savings attributable to operation of the plant unit and that investment costs be protected by inclusion under the company's Major Additions Adjustment Clause. This rate treatment is necessary until base rates are ordered in Application 87-08-054, which is now submitted. There is no immediate net rate change to customers. The request is granted.

DISCUSSION

1. By Advice No. 777-E, filed January 4, 1988, and Advice No. 777-E, Supplemental, filed January 13, 1988, the Southern California Edison Company (Edison) requests authorization to make accounting, tariff and rate changes associated with the imminent commercial operating date (COD) for Palo Verde Nuclear Generating Station Unit 3 (Palo Verde 3).

2. In August, 1987 Edison filed Application (A.)87-08-054 to reflect in rates Edison's cost of owning, operating and maintaining Palo Verde 3. It was then anticipated that a decision would be signed in February, 1988 and the plant unit would achieve COD in March, 1988.

3. Early in January, 1988 Edison was notified by the plant's operating utility, Arizona Public Service Company, that plant testing has proceeded more quickly than planned and that COD might be achieved by the end of the month. If COD is declared before the Commission authorizes rate treatment, then Edison could lose

both investment costs and non-investment costs from COD until rate treatment is authorized. To avoid this loss, Edison filed Advice No. 777-E, which requests rate treatment in advance of a decision in A.87-08-054.

4. Edison requests the following tariff changes:

A. A decrease in average Energy Cost Adjustment Clause (ECAC) rates of 0.028 cents/kwh and a decrease in the Annual Energy Rate (AER) of 0.003 cents/kwh to reflect fuel savings attributable to operation of Palo Verde 3. When the nuclear unit is operating, Edison's fuel requirements for gas- and oil-fired plants are reduced. The total fuel savings reduction of 0.031 cents/kwh will reduce annual revenues by $20.0 million, using the adjusted annual sales estimate of 64,500.3 GWH adopted in Edison's Test Year 1988 general rate case.

B. An increase in Electric Revenue Adjustment Mechanism (ERAM) level of base rate revenues of $19,967,000, which is the sum of $13,915,000 for Palo Verde 3 non-investment expenses and $6,052,000 for decommissioning. Non-investment expenses herein include operating and maintenance costs, administrative and general costs, property taxes, franchise fees and uncollectibles.

C. An increase in base rates of 0.031 cents/kwh to recover the non-investment and decommissioning costs requested above.

D. Inclusion of debits for Palo Verde 3 investment costs in Edison's Major Additions Adjustment Clause (MAAC) account, in lieu of base rate treatment of investment costs. The MAAC accruals would be made net of deferred revenues authorized as part of the Palo Verde Phase-In Procedure ordered in Decision (D.)86-10-023. No rates for investment costs are requested, but MAAC treatment would allow for eventual recovery by Edison.

E. Revised tariff language to include Palo Verde 3 in the revenue requirement phase-in procedure already in place for Units 1 and 2.

F. Inclusion of Palo Verde 3 in the Nuclear Unit Incentive Procedure (the target capacity factor tariff), which is now in place for all of Edison's other nuclear plant units.

5. Edison requests that these changes become effective on the date the Commission authorizes them or on the date that commercial operation is declared, whichever is later. COD will be declared by Edison filing an affidavit that the COD criteria ordered by D.86-10-023 have been met. Commission Advisory and Compliance Division (CACD) staff will verify that the criteria have been met and will report the verification to the Executive Director within 30 days of COD. The Executive Director will then so notify the Commission and the company.

6.. The revised tariff sheets do not show actual effective dates, because COD has not yet been achieved. Edison will file revised sheets showing the actual effective dates in conjunction with tariff filings in response to Commission orders in A.87-08-054.

7. The requested net rate change to customers is zero, because the base rate increase for non-investment costs and decommissioning is offset by the fuel savings decrease in ECAC and AER rates.

8. In Advice No. 777-E Edison requested that the monthly distribution percentages to be applied to the phase-in revenues be modified to reflect company monthly revenues rather than the presently authorized monthly kWh sales. Because this revision is also the subject of Edison's Advice No. 776-E, which is now pending, authorization of the revisions to monthly distribution percentages is premature. Edison's revised filing, Advice No. 777-E, Supplemental, withdrew the request, along with making minor modifications to tariff effective dates. Revision to monthly distribution percentages associated with Palo Verde 3 should be pursued through Advice No. 776-E.

9. CACD staff has reviewed Edison work papers on the requested fuel savings decrease and finds the decrease reasonable. D.87-11-013 in A.87-02-019, Edison's most recent ECAC case, orders (in Ordering Paragraph 8) that, "... proposed adjustments by Edison should be made coincident with the implementation of rates which reflect [Palo Verde 3]". Table X-8 of Exhibit 1 in A.87-02-019 shows average monthly fuel savings for the period of March, 1988 to May, 1988, which are equal to Edison's requested 0.031 cents/kWh. CACD staff has analyzed the impact of a COD in mid-January, 1988 and estimates that fuel savings from mid-January, 1988 to the beginning of the next ECAC period will not exceed the requested 0.031 cents/kWh. If fuel savings are less than requested Edison may absorb relatively minor losses through its AER, but ratepayers will not be disadvantaged.

10. CACD staff has reviewed Edison work papers on the requested ERAM and base rate increases for non-investment and decommissioning expenses and finds the increases reasonable. The requested $13,915,000 for non-investment costs was litigated in A.86-12-047, Edison's Test Year 1988 general rate case, but the amount was excluded from rates pending actual COD. Although D.87-12-066 in that application does not show the Palo Verde 3 non-investment expenses explicitly, Conclusion of Law 14 states that, "Edison's estimate of Palo Verde O&M expense, including refueling outage expense, is reasonable." Edison's requested $6,052,000 for decommissioning was adopted in D.87-11-023, with minor revision for the jurisdictional factor adopted in D.87-12-066.

11. For Palo Verde Units 1 and 2 Edison's investment costs were debited to its Interim Major Additions Adjustment Clause (IMAAC) account, but that account was terminated at the end of 1987, by Commission order. Accrual of Palo Verde 3 investment costs in

Edison's MAAC account is a reasonable expedient in order to protect utility shareholders until base rates are authorized in A.87-08-054.

12. Edison's eventual recovery of Palo Verde 3 investment costs is not considered in Advice No. 777-E. In D.86-10-023 the Commission approved a stipulated formula regarding the prudency of Palo Verde investment costs, and the values to be inserted into that formula are the subject of A.87-08-054.

13. In D.86-10-023 Ordering Paragraph 6 states that, "Tariffs for Palo Verde Unit Nos. 2 and 3 shall be filed 10 days after the Executive Director's acceptance of the units meeting the Commission's COD criteria to be effective five days after filing." Because COD for Palo Verde 3 is imminent and because by that order the Executive Director's acceptance could require from 15 to 45 days, Edison would be precluded from rate recovery of Palo Verde 3 costs effective on COD. Ordering Paragraph 6 is inconsistent with the Commission's intentions as discussed in D.86-10-023 and when written did not anticipate the present timing problems facing Edison. The provisions of Ordering Paragraph 6 relating to Palo Verde 3 should be revoked. However, because Edison's meeting of the COD criteria will not (and cannot) be verified until after the fact, the rate changes that become effective on COD should be made subject to refund for the period from COD until verification is accepted by the Executive Director.

14. As of January 18, 1988, no protests to Advice No. 777-E or Advice No. 777-E, Supplemental have been received.

FINDINGS

1. Edison's request to decrease ECAC rates by 0.028 cents/kwh and to decrease the AER by 0.003 cents/kwh to reflect fuel savings attributable to operation of Palo Verde 3 is reasonable.

2. Edison's request to increase base rates by 0.031 cents/kwh to reflect non-investment costs and decommissioning for Palo Verde 3 is reasonable.

3. Edison's request for MAAC treatment of Palo Verde 3 investment costs pending authorization of base rates in A.87-08-054 is reasonable.

4. Edison's requested tariff changes for the Palo Verde Phase-In Procedure and the Nuclear Unit Incentive Procedure are reasonable, excepting that any tariff changes from present Commission policy regarding monthly distribution percentages should be deferred to Advice No. 776-E.

5. The terms of Ordering Paragraph 6 of D.86-10-023 relating to Palo Verde 3 should be revoked.

6. The rate changes authorized herein should be made subject to refund for the period from actual COD to eventual verification that the adopted COD criteria have been met.

THEREFORE, it is ordered that:

1. Southern California Edison Company shall decrease Energy Cost Adjustment Clause rates by 0.028 cents/kwh and shall decrease the Annual Energy Rate by 0.003 cents/kwh, to reflect fuel savings attributable to operation of Palo Verde Nuclear Generating Station Unit 3.

2. Southern California Edison Company is authorized to increase base rates by 0.031 cents/kwh, to reflect non-investment expenses (including operating and maintenance, administrative and general, property tax, franchise fees and uncollectibles) and decommissioning expenses for Palo Verde Nuclear Generating Station Unit 3.

3. The tariff revisions requested in Advice No. 777-E, as amended by Advice No. 777-E, Supplemental, are approved.

4. The effective date of the authorized tariff revisions shall be the effective date of this Resolution or the commercial operating date for Palo Verde Nuclear Generating Station Unit 3, whichever date is later.

5. The rate changes authorized herein are subject to refund for the period from actual commercial operating date to the date that the Executive Director notifies the Commission that the Commission-adopted commercial operating date criteria have been met and verified.

6. Following the commercial operating date for Palo Verde Nuclear Generating Station Unit 3 and in conjunction with further Commission orders in Application 87-08-054, Southern California Edison Company shall file revised tariff sheets showing that the tariff revisions authorized herein became effective on the effective date of this Resolution or the commercial operating date, whichever date is later.

7. The terms of Ordering Paragraph 6 in Decision 86-10-023 relating to Palo Verde Nuclear Generating Station Unit 3 are revoked.

8. Advice No. 777-E, Advice No. 777-E, Supplmental and associated tariff sheets shall be marked to show that they were approved by Commission Resolution E-3077.

9. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at the January 19, 1988 continuation of its regular meeting of January 13, 1988. The following Commissioners approved it:

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
Commissioners

Commissioners G. Mitchell Wilk and John B. Ohanian being necessarily absent, did not participate.

Victor Weisser
Executive Director