

9995

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
COMMISSION ADVISORY AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3300
December 16, 1992

R E S O L U T I O N

RESOLUTION E-3300. SOUTHERN CALIFORNIA EDISON COMPANY REQUEST TO REVISE ITS BASE RATE REVENUES UNDER ENERGY REVENUE ADJUSTMENT MECHANISM PURSUANT TO DECISION 91-12-076 AS MODIFIED BY DECISION 92-08-042, AND DECISION 92-08-036.

BY ADVICE LETTER 971-E, FILED ON OCTOBER 30, 1992.

SUMMARY

1. Southern California Edison Company (Edison) filed Advice Letter (AL) 971-E on October 30, 1992 pursuant to Decision (D-) 91-12-076 as revised by D.92-08-042 in order to update its Authorized Level of Base Rate Revenue (ALBRR) under the Energy Revenue Adjustment Mechanism (ERAM).
2. This filing also reflects the removal of San Onofre Nuclear Generating Station Unit 1 (SONGS 1) from Edison's ALBRR according to the Settlement Agreement approved by D.92-08-036, and, changes the Preliminary Statement, Part R, SONGS 1 Ratemaking Procedure.
3. Edison's requested increase in its attrition 1993 revenue requirements is \$127,219,000: consisting of \$41,862,000 in operational attrition items; \$79,889,000 for capital related; and \$5,468,000 for the SONGS 1 settlement agreement.
4. AL 971-E assumes that if the three Petitions For Modification of Decision 91-12-076 and/or 92-08-042 that are pending before the Commission are approved, the requested increase in 1993 ALBRR of \$127,219,000 would be reduced by \$5,018,000 to \$122,201,000 (see Appendix A).
5. AL 971-E also assumes that AL 961-E (implementation of D.92-08-036 which approved SONGS 1 settlement agreement), and ALs 966-E, 967-E, 969-E (Post Retirement Benefits Other Than Pensions [PBOPS]) will be approved by the Commission.
6. Revised rates to be effective January 1, 1993.
7. This Resolution approves an increase of \$111,203,000 to Edison's 1993 Attrition revenue requirements.

BACKGROUND

1. Ordering Paragraph 10 of D.91-12-076 (Fourth Interim Opinion of Test Year 1992 General Rate Case), dated December 20, 1991, authorized Edison to request revenue requirement adjustments for attrition year 1993. The decision allows for updates of escalation rates on operating and maintenance (O&M) expenses.
2. D.92-08-042 (Eleventh Interim Opinion) dated August 11, 1992, modified, among other items, the attrition years 1993 and 1994 amounts as reflected in Appendix E of D.91-12-076.
3. Operational attrition is an increase in revenue requirement due to increase in O&M expenses related to inflation, between general rate case test years. Edison has updated its labor and non-labor escalation factors thereby increasing the operating expenses associated with those groups by \$24,123,000 and \$16,009,000 respectively. Edison requests \$1,801,000 for one-half of the refueling outage expenses incurred for Palo Verde Unit 3 that was authorized in D.91-12-076 for 1993 but was concluded in 1992 due to higher actual production factor in 1992. In compliance with D.91-02-076, Edison is removing \$518,000 expenses associated with Women and Minority Business Enterprise (WMBE) from its 1993 operational attrition revenue requirements. Finally, Edison is asking for a \$30,000 sales tax expense increase in compliance with D.92-08-042. Franchise Fees and Uncollectibles associated with the above requested items are \$417,000 which is arrived by applying the Franchise Fees and Uncollectible factors prescribed in D.92-08-042. Edison's requested increase in 1993 operational attrition is \$41,862,000 (see Appendix A).
4. Capital and Financial attrition are changes in revenue requirements because of changes in rate base and cost of capital between general rate case test years. In compliance with D.92-08-042, AL 971-E asks for \$79,889,000 as a capital related attrition item, and \$5,468,000 associated with the SONGS 1 investment-related cost. The latter has to be removed from base rate revenues effective September 1, 1992 according to AL 961-E. Edison's requested increase in 1993 capital related attrition is \$85,357,000.
5. According to the SONGS 1 Settlement Agreement, Edison is expected to cease operation of SONGS 1 nuclear plant by the end of the current fuel cycle 11. Edison estimates this to be by December 1992. The agreement authorizes Edison to recover in rates approximately \$350 million over 48 months at its embedded cost of debt at the date of settlement. Starting date of recovery, according to AL 961-E, is September 1, 1992.
6. The total requested \$127,219,000 may be reduced to \$122,201,000 if three Petitions for Modification of D.91-12-076 and/or D.92-08-042 are approved by the Commission. These three petitions are:
 - (a) Petition 1, dated May 29, 1992, amended September 15, 1992, requesting removal of \$14,800,000 and \$72,600,000 of

December 16, 1992

capital costs from the 1992 adopted rate base. The amounts are related respectively to Cal Energy Interconnection Facilities and the DC Expansion Project;

(b) Petition 2, dated October 13, 1992, requesting correction of an error in the allocation of authorized 1992 nuclear base O&M expenses and refueling O&M expenses; and

(c) Petition 3, dated October 29, 1992, requesting correction of taxes, O&M, and WMBE expenses.

7. AL 971-E assumes that four Edison advice letters will be approved by the Commission. These four are:

(a) AL 961-E, implementation of D.92-08-036 which approved the SONGS 1 agreement. This advice letter increases Edison's ALBRR by \$63,761,000.

(b) ALs 966-E, 967-E, and 969-E, all concerning PBOPS and submitted in conformance with D.91-07-006. The two compliance advice letters 966-E and 967-E, respectively, reduce the ALBRR by \$21,059,000 and \$25,219,000. Compliance AL 969-E increases the ALBRR by \$39,467,000. Together the three advice letters reduce the ALBRR in 1992 by \$6,811,000.

NOTICE

1. Public notification of AL 971-E has been made by Edison through mailing copies of the advice letter to other utilities, governmental agencies, and to all interested parties who requested such information. Notice of the advice letter was published in the Commission calendar.

PROTESTS

1. No protests have been received by the Commission Advisory & Compliance Division (CACD) for AL 971-E.

DISCUSSION

1. Edison filed AL 971-E on October 30 requesting a \$127,219,000 increase in its ALBRR for attrition year 1993. The filing is in compliance with Ordering Paragraph 10 of D.91-12-076.

2. If Edison's Petitions for Modification of D.91-12-076 and/or D.92-08-042 are approved, there may be a reduction of \$5,018,000 in annualized base rate revenues from the requested \$127,219,000 bringing the total request down to \$122,201,000. These three Petitions are:

(a) Petition 1, dated May 29, 1992, amended September 15, 1992 proposes the removal of \$14,835,000 and \$72,598,000 from Edison's 1992 adopted rate base. The Commission has approved this Petition on December 3, 1992. The 1993 increase in revenue requirement associated with this

December 16, 1992

Petition is \$329,000, a capital related attrition item.

(b) Petition 2, dated October 13, 1992 requests changes in Decision 92-08-042 to correct errors in the allocation of authorized 1992 nuclear base and refueling operation and maintenance expenses. The Commission has denied this Petition on December 3, 1992.

(c) Petition 3, dated October 29, 1992 which requests that Decision 91-12-076 be modified and proposes correcting the attrition formula to remove certain deferred taxes and depreciation expenses, and include Women and Minority Business Enterprise expenses, in addition to making changes in its California Corporation Franchise Tax expenses and other category of expenses. The Commission has approved this Petition with modifications on December 16, 1992. The 1993 decrease in revenue requirement associated with this Petition is \$5,259,000, comprising of an operational amount of \$5,610,000 and a capital amount of (\$10,869,000).

Upon resolution of these Petitions, Edison shall apply, through an advice letter, for changes in its 1993 Attrition revenue requirements.

3. D.91-12-076 allows for updates of escalation rates on O&M expenses. D.92-08-042 modified the 1993 attrition amounts of D.91-12-076. Edison has revised its labor and non-labor inflation escalation rates. The new escalated amounts of 1993 labor and non-labor operational expenses are, respectively, \$24,123,000 and \$16,009,000. CACD has reviewed Edison's calculations. According to D.85-12-076, the Commission allows the company to update the inflation rates for test year and attrition years only to update the attrition O&M expenses. Edison, however, has retroactively adjusted the inflation rates for three additional years prior to its test year 1992. The effect of the latter which amount to \$5,396,000 for labor and \$3,780,000 for non-labor operating expenses cannot be recovered and should be removed, thereby bringing the adopted amounts to respectively \$18,727,000 and \$12,229,000 (see Appendix A and B).

4. Edison requests \$1,801,000 for the remaining one-half refueling outage expenses for Palo Verde Unit 3 plant. Decision 91-12-076 adopted a refueling schedule for the plant of one-half of a refueling in 1992 and one-half of a refueling in 1993. This was developed based upon an assumed production factor of 80 percent for the plant. However, the actual production factor was over 90 percent, according to Edison, causing the refueling outage to be concluded in 1992 rather than in 1993. Edison requests to recover its authorized refueling expenses intended for 1993 but incurred in 1992 in this proceeding. CACD considers that granting the request would constitute a retroactive ratemaking and therefore recommends that the recovery of this amount be denied. If a utility is authorized a particular expense amount for a year but the expense item is not incurred or the incurred amount is lower than the authorized amount, the utility is not required to refund the balance of the amount to the ratepayers. By the same token, if the utility

December 16, 1992

exceeds the amount of the authorized expense, the excess amount should be borne by the shareholders. The requested amount of \$1,801,000 should not be approved.

5. In compliance with D.91-02-076, Edison removes \$518,000 expenses associated with WMBE from its 1993 operational attrition revenue requirements.

6. In compliance with D.92-08-042, Edison asks for a \$30,000 increase in sales tax expenses for 1993.

7. Edison requests \$417,000 as Franchise Fees and Uncollectibles (FF&U) associated with the total requested increase in operational expenses for 1993. CACD has recalculated the FF&U in the light of the disallowance of recovery of \$1,801,000 Palo Verde refueling expense and the new escalated labor/non-labor expenses. CACD recommends that the adjusted estimate for FF&U of \$308,000 be granted.

8. In compliance with D.92-08-042, Edison requests \$79,889,000 as capital related attrition item. These are \$69,106,000 for Depreciation, (\$2,220,000) for nuclear decommissioning, \$2,444,000 for Ad Valorem Tax, (\$3,960,000) for Income Taxes, and \$14,520,000 for Rate Base.

9. Edison, in addition, asks for a \$5,468,000 increase in capital related attrition for removing SONGS 1 investment related costs from 1993 base rate revenues. Although SONGS 1 is provided for in the 1993 incremental attrition adopted in D.92-08-042, no specific amount for SONGS 1 was approved in that decision. Edison has estimated the decremental investment related revenue requirement for SONGS 1 in 1993 to be \$5,468,000. Edison has not provided the breakdown of \$5,468,000 in AL 971-E. It states that the details were worked out in the SONGS 1 Settlement Agreement which was subsequently approved in D.92-08-036. Edison proposes further changes to D.92-08-036 tariffs in its AL 961-E, approval of which is a prerequisite for 971-E. According to D.92-08-036, the investment related revenue requirement attributable to SONGS 1 has to be removed from the 1993 attrition. The \$5,468,000 reflects a reduction in the 1993 revenue requirement from the 1992 revenue requirement because of reducing rate base by one more year of depreciation. Therefore, the \$5,468,000 must be added back into the 1993 incremental attrition amounts to reflect the removal of SONGS 1. CACD has reviewed Edison's request and finds it reasonable pending final Commission approval of AL 961-E. Should the Commission make any changes to AL 961-E that affect Edison's revenue requirements, Edison should be required to file corrected tariff sheets reflecting the amount actually approved.

FINDINGS

1. The incremental escalated amounts for labor and non-labor operational expenses, after disallowances of \$5,396,000 and \$3,780,000 are, respectively, \$18,727,000 and \$12,229,000.
2. The \$1,801,000 requested addition to Edison's 1993 base rate revenues for Palo Verde Unit 3 refueling would constitute retroactive ratemaking.
3. The removal of \$518,000 from Women and Minority Business Enterprise expenses complies with Decision 91-02-076.
4. Commission Decision 92-08-042 authorized Edison to increase its Incremental Sales Tax expense for 1993 by \$30,000.
5. The Franchise Fees and Uncollectible expenses, considering the disallowances referred to in Findings 1 and 2, are \$308,000.
6. Petition #3 increases operating expenses for 1993 by \$5,610,000, and reduces capital related expenses by \$10,869,000.
7. Total incremental attrition amount for operational related items, as set forth in Findings 1 through 6, is \$36,386,000.
8. A capital related incremental attrition amount of \$5,468,000 for removal of SONGS 1 is reasonable.
9. Petition #1 adds \$329,000 to 1993 capital related expenses.
10. The total incremental attrition amount for capital related items, excluding the Petitions, is \$85,357,000, noting that Advice Letter 961-E is approved today.
11. The Commission action on Petition #1 and #3 reduces the 1993 revenue requirements by \$4,930,000, as set forth in Findings 6 and 9.
12. Petition #2 has been denied.
13. The Post Retirement Benefits Other Than Pensions compliance Advice Letters 966-E, 967-E, and 969-E will, together, reduce the Authorized Level Of Base Rate Revenues by \$6,811,000 in 1992.
14. Total increase in revenue requirements for 1993 is \$111,203,000, as a result of Findings 6, 7, 9, and 10.

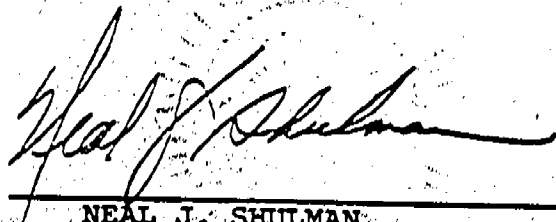
December 16, 1992

THEREFORE, IT IS ORDERED that:

1. Southern California Edison Company is authorized to increase its incremental 1993 attrition base rate revenues by \$111,203,000 as shown in Appendix A.
2. Southern California Edison Company must file corrected tariff sheets in not less than three days and no later than ten days from today.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 16, 1992. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners

APPENDIX A
SOUTHERN CALIFORNIA EDISON
INCREMENTAL 1993 ATTRITION
REVENUE REQUIREMENTS
\$ 000

| | R E Q U E S T E D | | | ADOPTED | CHANGE |
|----------------------------|-------------------|---------------|------------------|------------------|-----------------|
| | SONGS 1 | OTHER | TOTAL | | |
| <u>Operating Expenses:</u> | | | | | |
| Labor | | | \$ 24,123 | \$ 18,727 | \$ 5,396 |
| Nonlabor | | | 16,009 | 12,229 | 3,780 |
| Palo Verde 3 Refuel | | | 1,801 | 0 | 1,801 |
| WMBE | | | (518) | (518) | 0 |
| Sales Tax | | | 30 | 30 | 0 |
| | | | <u>\$ 41,445</u> | <u>\$ 30,468</u> | <u>10,977</u> |
| FF&U | | | 417 | 308 | 109 |
| Operating Expenses | | | <u>\$ 41,862</u> | <u>\$ 30,776</u> | <u>11,086</u> |
| Petition #2 (10/13/92) | | | (257) | 0 | (257) |
| Petition #3 (10/29/92) | | | 5,772 | 5,610 | 162 |
| Total Operating Expenses | | | <u>\$ 47,377</u> | <u>\$ 36,386</u> | <u>10,991</u> |
| <u>Capital Related:</u> | | | | | |
| Depreciation | \$ 151 | 69,105 | 69,257 | 69,257 | 0 |
| Nuclear Decomm. | 0 | (2,220) | (2,220) | (2,220) | 0 |
| Ad Val. Taxes | 391 | 2,444 | 2,835 | 2,835 | 0 |
| Income Taxes | (50) | (3,960) | (4,010) | (4,010) | 0 |
| Rate Base | 4,976 | 14,520 | 19,495 | 19,495 | 0 |
| Capital Exp. | <u>\$5,468</u> | <u>79,889</u> | <u>85,357</u> | <u>\$ 85,357</u> | <u>0</u> |
| Petition #1 (09/15/92) | | | 329 | 329 | 0 |
| Petition #3 (10/29/92) | | | (10,862) | (10,869) | 7 |
| Total Capital Exp. | | | <u>\$ 74,824</u> | <u>\$ 74,817</u> | <u>7</u> |
| TOTAL 1993 INCR. ATTRN. | | | <u>\$122,201</u> | <u>\$111,203</u> | <u>\$10,998</u> |

APPENDIX B
SOUTHERN CALIFORNIA EDISON
INCREMENTAL 1993 ATTRITION
LABOR/NON-LABOR OPERATING EXPENSES
\$ 000

| | <u>REQUESTED</u> | <u>ADOPTED</u> | <u>DIFFERENCE</u> |
|-----------|------------------|----------------|-------------------|
| Labor | \$24,123 | \$18,727 | \$5,396 |
| Non-labor | 16,009 | 12,229 | 3,780 |
| | <u>-----</u> | <u>-----</u> | <u>-----</u> |
| | \$40,132 | \$30,956 | \$9,176 |
| | <u>-----</u> | <u>-----</u> | <u>-----</u> |