

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

U-5

Copy for:

Orig. and Copy
to Executive Director

Director

Numerical File

Alphabetical File

Accounting Officer

RESOLUTION E-1990

UTILITIES DIVISION

BRANCH: Rate Design and Economic
DATE: November 22, 1983

RESOLUTION

SOUTHERN CALIFORNIA EDISON COMPANY (SCE), AND SAN DIEGO GAS AND ELECTRIC COMPANY (SDG&E), ELECTRIC DIVISIONS, SUBMIT FOR APPROVAL THEIR PROPOSED ACCOUNTING TREATMENT OF REPLACEMENT FUEL-RELATED GAINS AND LOSSES ASSOCIATED WITH THE OPERATION OF A PERFORMANCE STANDARD FOR SAN ONOFRE NUCLEAR GENERATING STATION UNIT NO. 2 (SONGS 2)

SOUTHERN CALIFORNIA EDISON COMPANY (SCE) AND SAN DIEGO GAS AND ELECTRIC COMPANY (SDG&E), by respective Advice Letters Nos. 634-E and 590-E both filed October 7, 1983, submit for approval of their proposed accounting treatment of replacement fuel-related gains and losses associated with the operation of a performance standard for San Onofre Nuclear Generating Station Unit No. 2 (SONGS 2). The above filings were made pursuant to Ordering Paragraph 5 of Decision 83-09-007, dated September 7, 1983, in Application 82-03-063. The facts are as follows:

1. In Decision 83-09-007, dated September 7, 1983, the Commission adopted a target capacity factor procedure to equitably allocate risks and fuel costs associated with SONGS 2 plant performance. Ordering Paragraph 5 required SCE and SDG&E to file advice letters containing accounting treatment replacement fuel-related gains and losses associated with the operation of the adopted target capacity factor consistent with the decision.
2. On October 7, 1983 SCE filed Advice Letter 634-E and SDG&E filed Advice Letter 590-E to implement this portion of the decision.
3. The tariffs proposed by SCE and SDG&E would, however, exempt from the calculation of SONGS capacity factor the effects of NRC restrictions and other conditions beyond the control of the company. This would, in effect substantially reduce the level of plant performance required to escape an economic penalty and to earn a reward. The Commission, in Decision 83-09-007 allowed for consideration of plant outages due to factors beyond the utilities' control only in extreme circumstances, and only on a case-by-case basis.
4. Decision 83-09-007 provides for reasonableness review of fuel costs related to SONGS 2 not subject to AER. The tariffs proposed by SCE and SDG&E would, however, allow the companies to escape reasonableness review anytime SONGS capacity falls within the 55% to 80% deadband.

Resolution E-1990
Conference of November 22, 1983

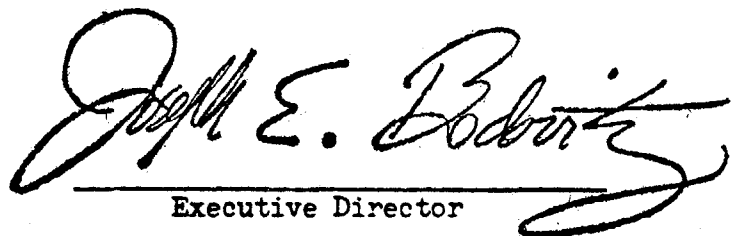
Page 2

5. The decision indicates that the AER and target capacity factor incentives are complimentary, and should be added when SONGS performance falls outside the 55% to 80% deadband. The proposed tariffs of SCE and SDG&E would subtract the AER incentive from the target capacity factor incentive contrary to the language of the decision.
6. SCE and SDG&E have filed tariffs which employ four-year averages of capacity factors to determine economic rewards and penalties on an annual basis.
7. Copies of this filing have been sent to other utilities and to interested parties who have requested them. Protests have been filed by TURN.
8. The staffs of the Utilities, Revenue Requirements, and Legal Divisions have reviewed these filings and recommend their rejection.

THEREFORE:

1. Southern California Edison Company's Advice Letter 634-E and San Diego Gas and Electric Company's Advice Letter 590-E are hereby rejected and SCE and SDG&E are ordered to file new tariffs within 15 days which are in compliance with this Decision and this Resolution.

I certify that this resolution was adopted by the Public Utilities Commission at its regular conference on November 22, 1983. The following Commissioners approved it:


Executive Director

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
WILLIAM T. BAGLEY
Commissioners