

Decision 19-03-016 March 28, 2019

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) for a Commission Finding that its Procurement-Related and Other Operations for the Record Period January 1 Through December 31, 2015 Complied with its Adopted Procurement Plan; for Verification of its Entries in the Energy Resource Recovery Account and Other Regulatory Accounts; and for Refund of \$0.082 Million Recorded in Two Memorandum Accounts.

Application 16-04-001

DECISION RESOLVING PHASE II OF SOUTHERN CALIFORNIA EDISON COMPANY'S COMPLIANCE APPLICATION FOR ITS 2015 ENERGY RESOURCE RECOVERY ACCOUNT

Summary

After reviewing the complete record of the proceeding, including information provided by Southern California Edison Company (SCE) during Phases I and II, as well as comments made by parties to the proposed decision, the Commission finds that SCE failed to reasonably oversee its contractor in relation to the single outage at Mountain View Generating Station Unit 3. Accordingly, we disallow recovery of \$107,810 replacement power cost incurred by SCE during the outage. This proceeding is closed.

Background

In Decision (D.) 18-08-007, *Decision Regarding Energy Resource Recovery Account Issues for Southern California Edison Company* (August 9, 2018),¹ the Commission resolved all the issues presented in the proceeding by reviewing Southern California Edison Company's (SCE) 2015 Energy Resource Recovery Account, except for an issue related to SCE's management of a contractor, Accurate Machine & Tooling (Contractor), that led to an outage at Mountain View Generating Station Unit 3 (Mountain View). In Ordering Paragraph 4 of D.18-08-007, the Commission directed the Administrative Law Judge to issue a separate decision on the matters related to Mountain View. In accordance with D.18-08-007, on September 19, 2018, the Administrative Law Judge issued a ruling requesting additional information from SCE. SCE responded to this ruling on October 8, 2018. Today's decision resolves the remaining issue related to the Mountainview outage.

Discussion

On April 26, 2015, during initial startup of SCE's combined cycle utility-owned generation unit at Mountain View, and immediately following a week-long outage to perform routine maintenance, a steam leak developed on the valve bonnet resulting in the failure of the unit's return to service.²

A shutdown resulted and SCE's investigation found that the cause of the problem was the improper sealing of the gasket retainer.³ The valve had been disassembled for maintenance during the planned outage, and the contractor

¹ On September 14, 2018, Public Advocates Office filed an application for rehearing.

² D.18-08-007 at 20 citing SCE Rebuttal Testimony at 15.

³ *Id.*

who reassembled the valve dislocated the gasket retainer during valve reassembly.⁴ Also during reassembly, the contractor performed some tests, but failed to properly stroke the valve to ensure full travel of the breach.⁵ Had the contractor fully stroked the valve during testing, the unseated gasket retainer would have been discovered and the outage would not have occurred. The contractor fully admitted responsibility and undertook repair of the valve at no cost to SCE.⁶ After the valve was replaced, the generator went into service on April 28, 2018. Subsequent to the outage,, the contractor changed its valve testing procedure.⁷ As a result of the outage due to the leaking gasket, SCE procured replacement power from other sources and incurred \$107,810 in costs.⁸

Under the reasonable manager standard, we consider whether SCE failed to discharge its obligations “based upon the facts that are known or should have been known at the time.”⁹

In its testimony, SCE states that it selected the contractor based on an invitation to bid process, and that it selected a qualified contractor. SCE seems to argue that its duties as a prudent manager ended with the selection of a qualified contractor to perform maintenance work at Mountainview. The Commission has consistently held that a utility cannot delegate its responsibility for ensuring

⁴ See SCE-1 at 70.

⁵ See Mountainview Unit 3 Steal Leak Root Cause Evaluation Report at 5.

⁶ *Id.* at 20-22, citing SCE-6.

⁷ *Id.* at 21.

⁸ *Id.* at 20.

⁹ D.11-10-002 at 11, n2.

safety compliance to its independent contractors.¹⁰ In this case, the contractor knocked off the gasket retainer during the reassembly of the valve, and further compounded that error by not fully stroking the valve during its testing processes. As stated in the investigative report commissioned by SCE, potential consequences of such oversight were that “serious injury and significant equipment damage could have occurred if personnel were in close proximity and steam leak developed into a rupture.”

The Commission finds that a prudent manager would have properly supervised the contractor to ensure that the valve is fully stroked and working properly during reassembly. SCE did not meet its burden to show that it adequately supervised its independent contractor in connection with the maintenance work, and the valve reassembly process. Thus, we cannot find that SCE operated as a prudent manager. In the proposed decision mailed for comment on February 26, 2019, the assigned ALJ found that SCE did not meet its burden to show that it was a prudent manager, but allowed recovery of the power purchase costs since the amount was small and the repair was managed prudently.¹¹ In comments to the proposed decision, the Public Advocate’s Office advocates for disallowing any cost, regardless of amount, if SCE fails to meet its burden of proof. Upon further review of the record, and Commission decisions on this issue, we agree. The Commission revises this decision to disallow SCE’s

¹⁰ (See, e.g., *Snyder v. Southern California Edison Company* (1955) 44 Cal.2d 793, 797, 801-802; *Order Instituting Investigation Into Southern California Edison Company’s Electric Line Construction, Operation, and Maintenance Practices* [D.04-04-065] (2004) at pp. 24-27 (slip op.).)

¹¹ See Proposed Decision dated February 26, 2019 at 3.

recovery of the \$107,810 in power purchase costs associated with the Mountain View outage.

Also in comments to the proposed decision, SCE attempts to argue that it was denied due process in Phase II, since SCE was asked by the assigned ALJ to provide “prescribed historical information” only.¹² SCE states that it did not include “advocacy related materials in its Response. Nor did SCE otherwise seek to justify the prudence of its supervisory actions vis-à-vis [the contractor] regarding the outage.”¹³ We find such argument, focused only on what has occurred in Phase II, to be disingenuous. The Energy Resource Recovery Account (ERRA) Compliance application process at the Commission is well established, and the burden of proof, as well as the applicable standard of conduct for SCE, has never shifted. The scope of all ERRA compliance proceedings at the Commission involve reviews of regulated utilities’ prudent management during the record period. The evidentiary record of this proceeding includes detailed information related to the Mountainview outage before, during, and after the event. SCE and the Public Advocate’s Office submitted testimonies, rebuttal testimonies, and briefings on the issue, as well as spent substantial cross examination time on the outage during evidentiary hearings. The Commission has afforded sufficient due process, and has developed ample record upon which it bases its decision today.

Comments on Proposed Decision

The proposed decision of Administrative Law Judge Tsen in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities

¹² See Opening Comments of SCE at 2.

¹³ *Ibid.*

Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on March 18, 2019 by SCE and the Public Advocates Office. No reply comments were received. This decision has been revised based on comments, where appropriate.

Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner and S. Pat Tsen and Regina DeAngelis are the co-assigned Administrative Law Judges in this proceeding.

Findings of Fact

1. The Mountainview outage was caused by the contractor, Accurate Machine & Tooling.
2. SCE did not prudently oversee the maintenance work provided by the contractor.
3. The contractor unseated a gas retainer while reassembling a valve during routine maintenance.
4. While reassembling the valve, the contractor failed to fully stroke the valve.
5. The cost of replacement power for the outage was \$107,810.

Conclusions of Law

1. SCE has not provided sufficient evidence to establish that it acted as a prudent manager in connection with the unplanned outage at Mountain View Generating Station Unit 3.

2. Disallowance is appropriate because SCE did not meet its burden of proof.

O R D E R

IT IS ORDERED that:

1. Southern California Edison Company is disallowed recovery of power purchase costs of \$107,810 related to the April 26, 2015 outage at the Mountain View Generating Station, Unit 3.
2. Application 16-04-001 is closed.

This order is effective today.

Dated March 28, 2019, at San Francisco, California.

MICHAEL PICKER

President

LIANE M. RANDOLPH

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

Commissioners