

Decision 11-05-035 May 26, 2011

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (U338E) for Authorization to replace San Onofre Nuclear Generating Station Unit Nos. 2 & 3 (SONGS 2 & 3) steam generators; establish ratemaking for cost recovery; and address other related steam generator replacement issues.

Application 04-02-026  
(Filed February 27, 2004)

**DECISION GRANTING A PETITION TO MODIFY DECISION 05-12-040 WHICH AUTHORIZED THE REPLACEMENT OF STEAM GENERATORS AND OTHER WORK AT THE SAN ONOFRE NUCLEAR GENERATING STATION**

**Summary**

In Decision (D.) 05-12-040, the Commission granted the application of Southern California Edison Company (SCE) for approval of its steam generator replacement program for San Onofre Nuclear Generating Station Unit Nos. 2 & 3 (SONGS). This decision grants SCE's request to modify D.05-12-040 for the limited purpose of removing from the steam generator replacement program cost estimate the costs related to replacing and refurbishing certain components in the low and high-pressure turbines at SONGS. The cost recovery limit for the steam generator replacement program is reduced by \$9.2 million, as estimated and adopted in 2004 dollars. D.05-12-040 is therefore modified so that SCE is authorized a revised total of \$670.8 million (2004 dollars) for the SONGS steam generator replacement program.

This decision increases no costs and does not change rates. This decision makes no findings on the reasonableness of the steam generator replacement program nor on the reasonableness of the 2009 and 2012 test years' high-pressure turbine retrofit project for SONGS.

This proceeding is closed.

## **Background**

Southern California Edison Company (SCE) initially included the cost of this replacement and refurbishment work to the turbines (approximately \$9.2 million, 2004 dollars) in the much larger steam generator replacement program's cost estimate (approximately \$680 million, 2004 dollars). This turbine project component was so small that Decision (D.) 05-12-040 does not mention it in any one of the 210 findings of fact. SCE, however, has removed this turbine-related work from the steam generator replacement program, and has decided to complete the work as part of the separate high-pressure turbine retrofit project for the San Onofre Generating Station Units 2 & 3 (SONGS), scheduled for completion in 2012. This latter project was included in its most recent test year 2009 general rate case, Application (A.) 07-11-011.<sup>1</sup> SCE indicates that it does not want to "double-recover" the costs for the initial turbine replacement and refurbishment tasks along with the replacement of the steam generators when these former costs are now included in the 2009 and 2012 test year general rate cases.

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<sup>1</sup> SCE submitted testimony providing the capital forecast from 2007-2011 for the SONGS two portion of the high-pressure turbine retrofit project, which the Commission approved in D.09-03-025 (Test Year 2009 general rate case decision). See A.07-11-011, Ex. SCE-02, Volume 5.

### **Procedural History and Record**

SCE filed the petition to modify D.05-12-040 (petition) on October 8, 2010. On November 19, 2010 the Commission's independent Division of Ratepayer Advocates (DRA) filed a timely response and then SCE filed a timely reply on December 10, 2010. The assigned Administrative Law Judge (ALJ) on December 27, 2010 directed DRA to file a sur-reply, which was timely filed on January 14, 2011.

The record for this proceeding consists of all filed documents and all exhibits previously admitted into the record; there are no new exhibits served with respect to this petition to modify.

Rule 16.4(d) requires that SCE must either file for modification within one year or explain why it could not have been filed within that limit.<sup>2</sup> SCE did not address this requirement directly in its petition. It is, however, evident that the turbine project significantly evolved in the 2009 test year general rate case, A.07-11-011, well after the steam generator replacement project was approved in D.05-12-040 in this proceeding. We can therefore exercise our discretion and accept the petition for filing.

### **DRA Opposes the Petition**

DRA opposes the motion in its response and its sur-reply. Essentially DRA reargues its concerns from the original proceeding addressing whether the

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<sup>2</sup> Rule 16.4(d) Except as provided in this subsection, a petition for modification must be filed and served within one year of the effective date of the decision proposed to be modified. If more than one year has elapsed, the petition must also explain why the petition could not have been presented within one year of the effective date of the decision. If the Commission determines that the late submission has not been justified, it may on that ground issue a summary denial of the petition.

entire steam generator replacement project would be cost effective including whether the initial turbine scope of work was necessary under any of the scenarios considered in D.05-12-040.

### **Discussion**

The questions of whether to pursue the steam generator project and the cost effectiveness of the proposal, including the initial turbine scope of work, is already resolved in D.05-12-040, and we will not revisit those issues. SCE seeks to remove the turbine components from the authority to replace the steam generators and recover those costs only as a part of a larger turbine project is already included in the rates adopted for A.07-11-011 and included in its current 2012 general rate case, A.10-11-015, presently before the Commission.

SCE indicates that it does not wish to “double count” or over-collect the costs of the turbine work already approved in D.05-12-040 in the subsequent two rate cases. This petition may be viewed as over-abundant caution – SCE could have simply offset (or netted) the already approved turbine costs from its larger turbine project requests in A.07-11-011 and A.10-11-015. We will grant the petition to modify D.05-12-040 and protect ratepayers through whatever terms and conditions are found reasonable and adopted in A.10-11-015.

### **Assignment of Proceeding**

Michel Peter Florio is the assigned Commissioner and Douglas M. Long is the assigned ALJ, replacing the retired Jeffrey P. O'Donnell.

### **Comments on Proposed Decision**

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Only Edison filed timely comments and based on those comments the proposed

decision was modified to delete an infeasible proposal to carry forward the cost cap on the limited scope of turbine work approved in A.04-02-026 as a part of the much larger turbine work to be considered in A.10-11-015.

### **Findings of Fact**

1. In D.05-12-040, the Commission granted SCE's application for approval of its steam generator replacement program for SONGS.
2. The costs related to replacing and refurbishing certain components in the low and high-pressure turbines at SONGS were included in the cost of the steam generator replacement program.
3. SCE is now pursuing a larger turbine repair program authorized in the decision on the 2007 general rate case, A.07-11-011, and included in the currently pending 2012 general rate case, A.10-11-015.
4. Modifying the authority in D.05-12-040 to exclude the \$9.2 million, as estimated and adopted in 2004 dollars for the turbine work, will avoid double-collecting.
5. Ratepayers will be protected through whatever terms and conditions are found reasonable and adopted in A.10-11-015 to control the costs of a new larger turbine project.

### **Conclusions of Law**

1. The Commission has the authority to modify D.05-12-040.
2. It is reasonable to reduce cost recovery limit for the steam generator replacement program by \$9.2 million, as estimated and adopted in 2004 dollars. D.05-12-040 is therefore reasonably modified so that SCE is authorized a revised total of \$670.8 million (2004 dollars) for the SONGS steam generator replacement program.
3. This proceeding should be closed.

**O R D E R**

Therefore, **IT IS ORDERED** that:

1. The cost recovery limit for Southern California Edison Company's steam generator replacement program is reduced by \$9.2 million, as estimated and adopted in 2004 dollars. Decision (D.) 05-12-040 is modified so that Southern California Edison Company is authorized a revised total of \$670.8 million (2004 dollars) for the San Onofre Nuclear Generating Station Unit Nos. 2 & 3 steam generator replacement program. No other term or condition of D.05-12-040 is changed.
2. Application 04-02-026 is closed.

This order is effective today.

Dated May 26, 2011, at San Francisco, California.

MICHAEL R. PEEVEY  
President  
TIMOTHY ALAN SIMON  
MICHEL PETER FLORIO  
CATHERINE J.K. SANDOVAL  
MARK J. FERRON  
Commissioners