

Decision 11-07-049 July 28, 2011

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of San Diego Gas and Electric Company's Application for Authorization to (1) Participate in the Steam Generator Replacement Project as a Co-Owner of San Onofre Nuclear Generating Station Unit Nos. 2 & 3 (SONGS 2 & 3); (2) Establish Ratemaking for Cost Recovery; and (3) Address Other Related Steam Generator Replacement Issues. (U 902 E)

Application 06-04-018
(Filed April 14, 2006)

**DECISION GRANTING SAN DIEGO GAS AND ELECTRIC COMPANY'S
PETITION TO MODIFY DECISION 06-11-026**

1. Summary

By this order, we grant San Diego Gas and Electric Company's *Petition to Modify Decision 06-11-026 By San Diego Gas & Electric Company (U 902-E)*, to permit San Diego Gas and Electric Company to continue its approved two-way balancing account for its San Onofre Nuclear Generating Station Units 2 & 3 operation and maintenance expenses billed by Southern California Edison, through the later of December 31, 2011 or issuance of a Commission decision setting San Diego Gas and Electric Company base rate revenue requirement for Test Year 2012, in Application 10-12-005.

2. Background

San Onofre Nuclear Generating Station (SONGS)¹ is located on the California coast 62 miles southeast of Los Angeles, in San Diego County, near the City of San Clemente. The site is located within the boundaries of the Camp Pendleton Marine Corps Base. Each of the two units in operation at SONGS has two steam generators in which the heat from water circulated through the reactor is used to turn another stream of water into steam to power turbines that turn electric generators.

By Application (A.) 06-04-018, San Diego Gas and Electric Company (SDG&E) requested, in part, the Commission's approval of its participation in the Steam Generator Replacement Program (SGRP) for SONGS Units 2 and 3. We had previously authorized Southern California Edison's (SCE) participation in the SGRP in Decision (D.) 05-12-040.² By D.06-11-026, we approved an unopposed settlement between SDG&E, the Division of Ratepayer Advocates (DRA), and SCE, of the ratemaking treatment of SDG&E's share of the costs related to the SGRP at SONGS Units 2 and 3. This ratemaking treatment was consistent with what we authorized for SCE in D.05-12-040. The settlement also authorized SDG&E to recover, through a two-way balancing account (Balancing Account), in which the difference between authorized and actual SONGS operations and maintenance (O&M) expenses billed by SCE are recorded. The approved settlement stated that this Balancing Account would remain in effect

¹ SONGS is currently licensed by the Nuclear Regulatory Commission (NRC) to operate until 2022.

² SDG&E has a 20 % ownership interest in SONGS, the city of Riverside owns a 1.79%, and SCE, the operator of SONGS, owns a 78.21% share.

through SDG&E's next General Rate Case (GRC) cycle that commenced on January 1, 2008, and, after January 1, 2008, SDG&E would be allowed to file an application to continue this Balancing Account.³ Since SDG&E's last GRC covered a 2004 Test Year (TY) and three attrition years, we interpreted the settlement to mean that we authorized the Balancing Account from January 1, 2007 through December 31, 2011.⁴

In its TY 2012 GRC application,⁵ SDG&E requested a continuation of its Balancing Account. This request includes testimony, as required by D.06-11-026, that addresses whether 100% recovery provides it with any incentive to minimize such costs.⁶

On May 16, 2011, Administrative Law Judge (ALJ) Regina M. DeAngelis approved SDG&E's re-filing of its Petition to Modify D.06-11-026 pursuant to Rule 16.4 of the Rules of Practice and Procedure of the California Public Utilities Commission.⁷ Pursuant to this approval, SDG&E filed the instant Petition to Modify D.06-11-026 to permit the extension of SDG&E's approved Balancing Account.

³ See D.06-11-026, Attachment A, at 4, Item 3.

⁴ See D.06-11-026 at 12-13.

⁵ A.10-12-005.

⁶ See D.06-11-026 at Ordering Paragraph (OP) 4, "If SDG&E subsequently applies for continuation of the two way balancing account for SONGS operations and maintenance costs authorized herein, it shall include in its filing an exhibit that addresses whether 100% recovery provides it with any incentive to minimize such costs."

⁷ All statutory references are to the Commission's Rules of Practice and Procedure unless otherwise noted.

3. Request to Continue Two Way Balancing Account Authorized in D.06-11-026

SDG&E proposes to continue its Balancing Account through the later of December 31, 2011 or issuance of a Commission decision setting SDG&E's base rate revenue requirement for TY 2012. SDG&E's TY 2012 GRC application, A.10-12-005 is pending before the Commission.

Given the current procedural schedule in that case, which includes an expected final decision in March 2012,⁸ SDG&E concludes that the Balancing Account will expire (on December 31, 2011) prior to issuance of the final decision in its GRC. SDG&E posits that due to the overlapping schedule of three large energy utilities' GRC proceedings currently underway at the Commission,⁹ the processing of SDG&E's TY2012 GRC has been extended beyond what otherwise would have been the end of its present rate cycle through December 31, 2011.

SDG&E goes on to state that the entirety of the currently proposed SONGS revenue requirement (including SDG&E's share) is being determined in the SCE TY 2012 GRC proceeding, the schedule of which precedes that of SDG&E's TY 2012 GRC. SDG&E's share of these SONGS related costs will be incorporated into SDG&E's TY 2012 revenue requirement after they have been reviewed and a determination made by us regarding SCE's TY 2012 GRC. A final decision in the SCE case is not expected until December 2011.¹⁰

⁸ *Assigned Commissioner and Administrative Law Judge's Scoping Memo and Ruling*, dated March 2, 2011 in A.10-12-005, at 16, which adopted a procedural schedule in which the final decision is not expected until approximately March 2012.

⁹ A.10-12-005 - SDG&E, A.10-12-006 - Southern California Gas (consolidated with A.10-12-005), and A.10-11-015 - SCE.

¹⁰ *Scoping Memo and Ruling of Assigned Commissioner* dated March 1, 2011 in A.10-11-015 at 20.

4. Discussion

Rule 16.4 governs the process for the filing and consideration of petitions for modification. Rule 16.4(b) requires that a petition for modification concisely state the justification for the proposed relief and propose specific wording for all requested modifications. As discussed above, SDG&E's Petition contained a concise but thorough statement of justification for the proposed modifications related to D.06-11-026. Given the timing of the multiple GRC's being processed by the Commission, in particular SDG&E's own TY 2012 GRC application, the Balancing Account will expire prior to a final decision being issued in A.10-12-005. Since SDG&E has requested that its Balancing Account be continued in its TY 2012 GRC application (pursuant to D.06-11-026), it is reasonable for SDG&E to request that the current term of the Balancing Account not expire until a determination is made regarding this proposal in the GRC.

Rule 16.4(d) states that if more than one year has elapsed since the effective date of the decision, then the petition must explain why it could not have been presented within one year of the effective date of the decision. Since no one knew until March 2011 that SDG&E's TY 2012 GRC final decision would be issued after December 31, 2011, the expiration date of the Balancing Account, SDG&E could not have filed a petition for modification any earlier than that date. SDG&E has therefore provided justification for presenting the current petition more than one year after the effective date of D.06-11-026.

Therefore, SDG&E's Petition complies with the requirements of Rule 16.4 regarding the requested modifications to D.06-11-026. We also conclude that SDG&E's request to extend its Balancing Account through the later of December 31, 2011 or issuance of a Commission decision setting SDG&E's base rate revenue requirement in its TY 2012 GRC is reasonable. Because of the

schedules and timing of both the SDG&E and SCE TY 2012 GRC's, and the fact that the current Balancing Account will expire before we will be able to rule on a more permanent extension in SDG&E's TY 2012 GRC, SDG&E's request for this interim extension is reasonable. We therefore adopt SDG&E's proposed modification of Finding of Fact 11 of D.06-11-026, and make one more modification on page 13 of D.06-11-026 (set out in Attachment A to this decision), so that the body of D.06-11-026 is consistent with the modified Finding of Fact 11.

5. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2), the otherwise applicable 30-day period for public review and comment is waived.

6. Assignment of Proceeding

Michel Peter Florio is the assigned Commissioner and Seaneen M. Wilson is the assigned ALJ in this proceeding.

Findings of Fact

1. SONGS is located on the California coast 62 miles southeast of Los Angeles, in San Diego County, near the City of San Clemente. The site is located within the boundaries of the Camp Pendleton Marine Corps Base. Each of the two units in operation at SONGS has two steam generators in which the heat from water circulated through the reactor is used to turn another stream of water into steam to power turbines that turn electric generators.

2. By A.06-04-018, SDG&E requested, in part, the Commission's approval of its participation in the SGRP for SONGS Units 2 and 3. We had previously authorized SCE's participation in the SGRP in D.05-12-040.

3. By D.06-11-026, we approved an unopposed settlement in A.06-04-018, between SDG&E, DRA, and SCE, of the ratemaking treatment of SDG&E's share of the costs related to the SGRP at SONGS Units 2 and 3. This ratemaking treatment was consistent with what we authorized for SCE in D.05-12-040. The settlement also authorized SDG&E to recover, through a Balancing Account, the difference between authorized and actual SONGS O&M expenses billed by SCE.

4. The approved settlement in D.06-11-026 stated that this Balancing Account would remain in effect through SDG&E's next GRC cycle that commenced on January 1, 2008, and, after January 1, 2008, SDG&E would be allowed to file an application to continue this Balancing Account. Since SDG&E's last GRC covered a 2004 TY and three attrition years, we interpreted the settlement to mean that we authorized the Balancing Account from January 1, 2007 through December 31, 2011.

5. In its TY 2012 GRC application, SDG&E requested a continuation of its Balancing Account. This request includes testimony, as required by D.06-11-026, that addresses whether 100% recovery provides SDG&E with any incentive to minimize such costs.

6. On May 16, 2011, Judge Regina M. DeAngelis approved SDG&E's re-filing of its Petition to Modify D.06-11-026 pursuant to Rule 16.4. Pursuant to this approval, SDG&E filed the instant Petition to modify D.06-11-026 to permit the extension of SDG&E's approved Balancing Account.

7. The current procedural schedule in SDG&E's TY 2012 GRC application includes an expected final decision in March 2012.

8. The current proposed SONGS revenue requirement (including SDG&E's share) is being determined in the SCE TY 2012 GRC. A final decision in the SCE case is not expected until December 2011.

9. Rule 16.4(b) requires that a petition for modification concisely state the justification for the proposed relief and propose specific wording for all requested modifications.

10. Rule 16.4(d) states that if more than one year has elapsed since the effective date of the decision, then the petition must explain why it could not have been presented within one year of the effective date of the decision.

Conclusions of Law

1. SDG&E's petition for modification of D.06-11-026 has complied with both Rule 16.4(b) and Rule 16.4(d). SDG&E provided a concise but thorough statement of justification for the proposed modifications related to D.06-11-026; and since no one knew until March 2011 that SDG&E's TY 2012 GRC final decision would be issued after December 31, 2011, SDG&E has provided justification for presenting the current petition more than one year after the effective date of D.06-11-026.

2. SDG&E's petition to modify D.06-11-026 (Finding of Fact 11) is reasonable and should be adopted, as set out in Attachment A to this decision.

3. One additional modification should be made to page 13 of D.06-11-026 so that the body of this decision is consistent with the modified Finding of Fact 11. This additional modification is set out in Attachment A to this decision.

4. A.06-04-018 should be closed.

O R D E R

IT IS ORDERED that:

1. San Diego Gas & Electric Company's May 16, 2011 Petition to Modify Decision 06-11-026, in particular Finding of Fact 11, is granted as set out in Attachment A to this decision.

2. Application 06-04-018 is closed.

This order is effective today.

Dated July 28, 2011, at San Francisco, California.

MICHAEL R. PEEVEY

President

TIMOTHY ALAN SIMON

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

MARK J. FERRON

Commissioners

Attachment A
Modifications to Decision 06-11-026

Modifications to the text of Decision 06-11-026 are underlined.

Page 13, first full paragraph:

Pursuant to the settlement, the two-way balancing account would remain in effect through SDG&E's next rate case cycle that will commence on January 1, 2008 and, after January 1, 2008, SDG&E would be allowed to file an application to continue the two-way balancing account. SDG&E's last general rate case covered a test year (2004) and three attrition years. Therefore, we interpret this to mean that the settlement would authorize the two-way balancing account from January 1, 2007 through the later of December 31, 2011 or the issuance of a decision setting SDG&E's base rate revenue requirement for Test Year 2012. Our approval of the settlement, as it pertains to the two-way balancing account, is conditioned on this assumption.

Finding of Fact 11:

11. The settlement includes a two-way balancing account for SONGS O&M through the later of December 31, 2011 or the issuance of a decision setting SDG&E's base rate revenue requirement for Test Year 2012, which provides for full recovery of billed costs in excess of the authorized amount.

(END OF ATTACHMENT A)