

[APR 26 1989]

**ORIGINAL**

Decision 89-04-059 April 26, 1989

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 San Diego Gas & Electric Company, )  
 for Authority to Introduce a )  
 Mandatory L6-TOU Rate to Replace its )  
 Existing A6-TOU and AL-TOU Rates and )  
 to Revise Portions of its Existing )  
 Standby Tariffs. (U 902-E) )

Application 87-04-018  
 (Filed April 10, 1987)

In the Matter of the Application of )  
 San Diego Gas & Electric Company for )  
 Authority to Revise its Energy Cost )  
 Adjustment Clause (ECAC) Rate, to )  
 Revise its Annual Energy Rate (AER), )  
 and to Revise its Electric Base )  
 Rates effective November 1, 1987 in )  
 accordance with the Electrical )  
 Revenue Adjustment Mechanism (ERAM). )  
 (U 902-E) )

Application 87-07-009  
 (Filed July 2, 1987;  
 amended August 20, 1987)

(See Decision 87-12-069 for appearances.)

OPINIONSummary

This decision finds that San Diego Gas & Electric Company's (SDG&E) actions during the 1986-1987 record period were reasonable and adopts a stipulated disallowance of \$226,034 for a November 21, 1985 San Onofre Nuclear Generating Station Unit 1 (SONGS 1) forced outage. Additionally, SDG&E is required to credit future payments from the sale of two ratepayer supported exploration and development programs (EEDA) to ratepayers and is authorized to revise its nuclear unit incentive procedure.

Procedural Background

Decision (D.) 87-12-069 addressed the restructuring of SDG&E's electric rates, Application (A.) 87-04-018, and SDG&E's regularly-scheduled Fall 1987 energy cost adjustment clause (ECAC) proceeding, A.87-07-009. However, the reasonableness review for

the record period contained in A.87-07-009 was separated from the forecast period by an Administrative Law Judge (ALJ) ruling and is the subject of this decision.

Hearings in the reasonableness phase began December 1, 1987 at which time all parties agreed to the procedural schedule shown in Reference Item Z, attached as Appendix A. This resulted in the postponement of hearings until July 14, 1988. These hearings addressed SDG&E's: (1) power plant performance, (2) gas operations and expenses, and (3) disposition of its remaining assets from EEDA. With the exception of payments to qualifying facilities (QFs), the reasonableness review of SDG&E's purchased power operations and expenses during the 1986-1987 record period were deferred until review of the 1987-1988 record period.

#### Discussion

The Division of Ratepayer Advocates (DRA) and SDG&E are in agreement on all remaining reasonableness issues. No other party has opposed the joint DRA/SDG&E position. Certain noteworthy reasonableness issues are discussed below.

#### Deferred Purchased Energy Operations and Expenses

As a result of an agreement between DRA and SDG&E and an ALJ ruling in SDG&E's Fall 1988 ECAC proceeding, A.88-07-003, review of SDG&E's purchased energy operations and expenses during the 1986-1987 and 1987-1988 record periods will be addressed in that proceeding.

#### Purchased Energy Payments to QFs

Only three non-standard QF contracts were effective during the record period. Two of these contracts are considered non-standard solely because of special interruption provisions. The terms of the remaining contract, involving Kelco Division of Merck Company were pre-approved in D.93364. DRA reviewed the payments to QFs for the record period and found them reasonable. We find the purchased energy payments to QFs during the 1986-1987 record period reasonable.

Nuclear Generation and Expenses

On November 21, 1985, SONGS had an eight-day forced outage. Southern California Edison Company (Edison) was cited and fined \$180,000 by the Nuclear Regulatory Commission for three violations arising from the investigation of the outage.

On January 20, 1988, DRA, Edison, and SDG&E filed a joint motion in Edison's 1987 ECAC proceeding, A.87-02-019. Their motion requested that a Stipulation and Agreement among the parties be adopted as settlement of the claim for disallowance of replacement fuel and purchased power expenses related to the outage. The Stipulation and Agreement recommended a disallowance of \$226,034 (plus interest at the ECAC balancing account rate from June 1, 1986 to the effective date) to SDG&E's ECAC balancing account. D.88-07-021 adopted the Stipulation and Agreement for Edison and ordered that SDG&E's share of the disallowance be addressed in its ECAC proceeding. In this proceeding SDG&E and DRA have recommended that the disallowance in the Stipulation and Agreement be adopted. We will adopt the agreed disallowance of \$226,034 plus interest as a reasonable settlement for SDG&E's replacement fuel and purchased power expenses related to the outage.

Fossil-Fuel Unit Availability and Heat Rates

In recent decisions heat rate deviations have been adopted to assess the efficiency of fossil fuel steam plant operations. The measure of heat rate deviations compares the recorded system average heat rate for the review period with a theoretical system average heat rate calculated from test heat rate curves at actual plant loadings. Since theoretical heat rate is the amount of fuel/kilowatt-hour (kWh) the plant would have burned under test conditions at actual loadings, it represents the theoretical best achievable operation of the plant during the review period. This heat rate deviation is compared to an established deviation guideline to be used as a yardstick for evaluating fossil fuel steam plant performance.

DRA and SDG&E agreed to a 1986 heat rate deviation of 87 Btus/kWh and recalculated the heat rate guideline based on 1979-1985 data. The 1986 heat rate deviation and the new guideline of 151 Btus/kWh were developed using the following adjustments: auxiliary usage, start-up, circulating water inlet temperature, fuel gas meter estimate, off-line saturated steam usage, unit degradation, and generation shift. DRA and SDG&E also agreed that the following factors should also be considered in reviewing the reasonableness of fossil fuel steam plant operations.

Record period outage schedules.

Forced outage occurrences.

Maintenance scheduling data.

Fossil plant reliability based on equivalent availability data for each unit.

Fossil generation data related to total system generation.

Record period deviation bandwidth values.

We find the above criteria and the recommended heat rate deviation and guideline reasonable.

#### Fuel Oil Expenses and Inventory Management

DRA found SDG&E's fuel oil generation and inventory management expenses for the 1986-1987 record period reasonable. We consider SDG&E's actions in this area reasonable for the record period.

#### Natural Gas Operations and Supply

DRA reviewed SDG&E's gas system operations and activities during the record period and found them reasonable. DRA's analysis included the following:

A review of gas operations and purchases to ensure conformance with Commission resolutions, decisions, and directives.

A review of spot gas purchasing practices and decisions, to verify a least-cost purchase strategy for spot gas supplies.

A review of gas procurement to serve customer requirements.

An analysis of lost and unaccounted for gas.

A review of SDG&E's reasonableness filing, gas utility monthly survey reports, and monthly data on spot gas bids and purchases.

Based on DRA's analysis and SDG&E's showing we find SDG&E's gas operations, procurement, and costs for the 1986-1987 record period reasonable.

#### Geothermal Heat Procurement

No party disputed the reasonableness of SDG&E's geothermal heat procurement expenses. We find these expenses reasonable for the record period.

#### Disposition of EEDA Assets

D.87-07-015 directed SDG&E to make a showing in this ECAC proceeding concerning the reasonableness of its disposition of EEDA assets not reviewed in the EEDA Order Instituting Investigation (I.)82-07-01. SDG&E identified two projects that meet this criteria: the Kaiparowits Coal Project which was sold to Andalex (formerly Tower Resources) and the Niland Geothermal Project which was sold to Magma Power Company. With these sales, all SDG&E investments in EEDA projects have been reduced to zero.

SDG&E sold its Kaiparowits Coal Project on October 10, 1985. As part of the consideration for the sale, SDG&E receives an overriding royalty of 0.5% on the mine mouth value of any coal produced. SDG&E states that any payments would flow to ratepayers through the ECAC balancing account. Additionally, under a separate agreement, SDG&E has a right of first refusal through the year 2010.

for up to 50 million tons of coal if and when coal is mined at Kaiparowits.

The Niland Geothermal Project was sold on October 23, 1986 for a cash payment of \$3 million plus future payments not to exceed \$30 million depending upon how well Magma operates the geothermal reservoir. The sale resulted in a gain of \$13,000 which was flowed through to ratepayers. The estimated present value at the time of sale was \$10,810,000. SDG&E expects to flow through to ratepayers any future payments via its ECAC balancing account.

Details of these sales were previously submitted in I.82-07-01 and are contained in Exhibit 71 in this proceeding. We find SDG&E's disposition of these EEDA projects reasonable.

#### Audit Issues

DRA and SDG&E have agreed to a number of audit recommendations which are detailed in Reference Item Z, attached as Appendix A, at pages 4-5. We will adopt these recommendations.

#### Nuclear Unit Incentive Procedure

SDG&E proposes two revisions to its nuclear unit incentive procedure. The first revision would serve to implement the target capacity factor (TCF) procedure adopted for SONGS 1 in D.85-12-024 and D.87-08-023. The second revision would add a third economic modifier when the SONGS refueling outage schedule is changed to meet the system reliability needs of one or more SONGS parties.

On February 26, 1987, Edison, SDG&E, the City of Anaheim, and the City of Riverside executed the Second Amended San Onofre Operating Agreement (Operating Agreement) and the San Onofre Refueling Exchange Agreement (Refueling Agreement). The Operating Agreement details the manner in which SONGS units will be operated for the benefit of all SONGS parties. The Refueling Agreement governs exchanges of energy and capacity among SONGS parties when a scheduled refueling outage date is changed by the election of one or more of the SONGS parties. The effect of the Refueling

Agreement is that the SONGS parties (and their ratepayers) not participating in the election to change a scheduled refueling outage remain indifferent to the change.

SDG&E believes that the proposed economic modifier should be adopted for the following reasons:

1. The modifier recognizes needed operating flexibility by providing for operation of the SONGS units for the benefit of all SONGS parties and their ratepayers.
2. The modifier eliminates or reduces the possibility of an unwarranted penalty when a change in the refueling outage schedule is consistent with the above discussion.
3. SDG&E has the burden of proving that its ratepayers were not adversely impacted by a change in the SONGS refueling outage schedule when the proposed economic modifier is claimed.

Currently, the two existing economic modifiers only address the impacts on SDG&E's system as a result of changes to the operation of a SONGS unit. The existing economic modifiers do not address conditions requiring a change in the refueling outage schedule to maintain the system reliability of other SONGS parties. SDG&E's proposed economic modifier was adopted for Edison in its 1987 ECAC proceeding, D-88-07-021. SDG&E's proposed economic modifier appears reasonable and will be adopted.

Petitions for Modification of D.87-12-069

On March 21, 1988 Utility Consumers Action Network (UCAN) petitioned to modify D.87-12-069 to eliminate a \$4.80 residential customer charge and reinstate a minimum charge. This issue was addressed in D-88-07-023. UCAN's petition is denied.

On May 16, 1988 the San Diego Cogeneration Association (SDCA) petitioned to modify the language in Ordering Paragraph 4 of

D.87-12-069 to conform with the discussion contained at pages 28-30. Since this matter was addressed in D.88-12-085, the issue is now moot. SDCA's petition is denied.

Findings of Fact

1. The reasonableness review for the 1986-1987 record period contained in SDG&E's A.87-07-009 was separated from the forecast period by an ALJ ruling and is the subject of this decision.
2. The reasonableness hearings addressed: (1) power plant performance, (2) gas operations and expenses, and (3) disposition of EEDA assets.
3. Except for purchased energy payments to QFs SDG&E's purchased energy operations and expenses during the 1986-1987 record period will be addressed in A.88-07-003, SDG&E's Fall 1988 ECAC proceeding.
4. Three non-standard QF contracts were effective during the record period. Two are non-standard because of special interruption provisions and the third was pre-approved in D.93364.
5. DRA, Edison, and SDG&E entered a Stipulation and Agreement that recommended a disallowance of \$226,034 plus interest to SDG&E's ECAC balancing account as settlement for SDG&E's replacement fuel and purchase power expenses related to the November 21, 1985 SONGS 1 forced outage.
6. DRA and SDG&E agreed to a 1986 heat rate deviation of 87 Btus/kWh and a new heat rate guideline of 151 Btus/kWh. These were developed using the following adjustments: auxiliary usage, start-up, circulating water inlet temperature, fuel gas meter estimate, off-line saturated steam usage, unit degradation, and generation shift.
7. DRA and SDG&E agreed that the following factors should be considered in reviewing the reasonableness of fossil fuel steam plant operations: (1) outage schedules, (2) forced outage occurrences, (3) maintenance scheduling, (4) fossil plant



reliability, (5) fossil generation related to total generation, and (6) deviation bandwidth values.

8. DRA found SDG&E's actions during the 1986-1987 record period reasonable for the following: (1) purchased energy payments to QFs, (2) fuel oil generation and inventory management expenses, (3) gas system operations, procurement, and costs, and (4) geothermal heat procurement.

9. D.87-07-015 directed SDG&E to make a showing in this ECAC proceeding concerning the reasonableness of its disposition of EEDA assets not reviewed in I.82-07-01.

10. SDG&E identified two EEDA projects that meet the criteria in D.87-07-015 for review in this proceeding: Kaiparowits Coal Project and Niland Geothermal Project.

11. SDG&E sold its Kaiparowits Coal Project to Andalex on October 10, 1985. As part of the consideration for the sale, SDG&E receives an overriding royalty of 0.5% on the mine mouth value of any coal produced and the right of first refusal through the year 2010 for up to 50 million tons of coal. Any payments would flow to ratepayers through the ECAC balancing account.

12. The Niland Geothermal Project was sold to Magma Power Company on October 23, 1986 for a cash payment of \$3 million plus future payments not to exceed \$30 million depending upon geothermal production. The estimated present value at the time of sale was \$10,810,000 and resulted in a gain of \$13,000 which was credited to ratepayers through the ECAC balancing account.

13. DRA and SDG&E have agreed to the audit recommendations which are detailed in Appendix A.

14. SDG&E proposes to revise its nuclear unit incentive procedure to implement the TCF procedure adopted for SONGS 1 in D.85-12-024 and D.87-08-023.

15. SDG&E proposes to revise its nuclear unit incentive procedure to add a third economic modifier to reflect changes in

the SONGS refueling outage schedule to meet the system reliability needs of one or more SONGS parties.

16. SDG&E's proposed third economic modifier: (1) permits the operation of the SONGS units for the benefit of all SONGS parties and their ratepayers, (2) eliminates or reduces the possibility of an unwarranted penalty when a change in the refueling outage schedule is required for system reliability, and (3) was adopted for Edison in D.88-07-021.

17. D.88-07-023 eliminated the \$4.80 residential customer charge and reinstated a minimum charge.

18. The issue raised in SDCA's petition to modify the language in ordering paragraph 4 of D.87-12-069 was addressed in D.88-12-085.

#### Conclusions of Law

1. SDG&E's expenses and actions during the 1986-1987 record period were reasonable for the following items: (1) purchased energy payments to QFs, (2) fuel oil generation and inventory management expenses, (3) gas system operations, procurement, and costs, and (4) geothermal heat procurement.

2. The DRA, Edison, and SDG&E Stipulation and Agreement which recommends a disallowance of \$226,034 plus interest to SDG&E's ECAC balancing account for SDG&E's replacement fuel and purchase power expenses related to the November 21, 1985 SONGS 1 forced outage is reasonable and should be adopted.

3. A 1986 heat rate deviation of 87 Btus/kWh and a new heat rate guideline of 151 Btus/kWh developed using the following adjustments is reasonable for evaluating SDG&E's record period fossil fuel steam plant operations: auxiliary usage, start-up, circulating water inlet temperature, fuel gas meter estimate, off-line saturated steam usage, unit degradation, and generation shift.

4. The following factors should be considered in reviewing the reasonableness of fossil fuel steam plant operations: (1) outage schedules, (2) forced outage occurrences, (3) maintenance

scheduling, (4) fossil plant reliability, (5) fossil generation related to total generation, and (6) deviation bandwidth values.

5. The audit recommendations shown in Appendix A should be adopted.

6. SDG&E's terms and conditions for the disposition of the Kaiparowits Coal Project and the Niland Geothermal Project appear reasonable. Any payments SDG&E receives from the sale of these projects should be credited to its ratepayers through SDG&E's ECAC balancing account.

7. SDG&E's proposed revision to its nuclear unit incentive procedure to implement the TCF procedure adopted for SONGS 1 in D.85-12-024 and D.87-08-023 and add a third economic modifier is reasonable and should be adopted.

8. SDG&E will have the burden of proving that its ratepayers were not adversely impacted by a change in the SONGS refueling outage schedule when the proposed economic modifier is claimed.

9. The petitions by UCAN and SDCA to modify D.87-12-069 should be denied.

### ORDER

#### IT IS ORDERED that:

1. The Stipulation and Agreement among San Diego Gas & Electric Company (SDG&E), Southern California Edison Company, and Division of Ratepayer Advocates settling the disallowance of replacement fuel and purchased power expenses related to the November 21, 1985 San Onofre Nuclear Generating Station Unit 1 (SONGS 1) forced outage is adopted for SDG&E.

2. SDG&E shall credit its energy cost adjustment clause (ECAC) balancing account in the amount of \$226,034 plus interest at the ECAC balancing account rate from June 1, 1986 until the date of the credit.

3. The audit recommendations shown in Appendix A are adopted.

4. SDG&E shall credit its ECAC balancing account with any payments it receives from the sale of the Kaiparowits Coal Project and the Niland Geothermal Project.

5. SDG&E's proposed revisions to its nuclear unit incentive procedure to implement the target capacity factor procedure adopted for SONGS 1 in Decision (D.) 85-12-024 and D.87-08-023 and add a third economic modifier are adopted.

6. The petitions by Utility Consumers Action Network and San Diego Cogeneration Association to modify D.87-12-069 are denied.

This order becomes effective 30 days from today.

Dated APR 26 1989, at San Francisco, California.

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. OHANIAN  
PATRICIA M. ECKERT  
Commissioners

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY.

*Victor Weiss*

Victor Weiss, Executive Director

APPENDIX A

REFERENCE ITEM Z



**San Diego Gas & Electric**

P.O. BOX 1831  
SAN DIEGO, CALIFORNIA 92112

MICHAEL R. WEINSTEIN  
ASSOCIATE COUNSEL

LAW DEPARTMENT

TELEPHONE  
(619) 594-5232

November 30, 1987

Administrative Law Judge Randy Wu  
California Public Utilities  
Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

Re: SDG&E 1987 ECAC  
A. 87-07-009 and Related Actions

Dear Judge Wu:

San Diego Gas & Electric Company ("SDG&E") requests that the Commission issue the necessary orders and/or decisions to dispose of various procedural and substantive issues pending in the reasonableness phase of this ECAC proceeding in the manner set forth below. This request reflects discussions between SDG&E and the Division of Ratepayer Advocates ("DRA"). SDG&E understands that at the December 1 hearing the DRA will concur with this request.

Background

On July 2, 1987, SDG&E filed Application 87-07-009 in accordance with its Energy Cost Adjustment Clause ("ECAC") procedure. The reasonableness review phase of this application is currently scheduled for hearings beginning December 1, 1987.

In support of the reasonableness of its electric operations and expenses, SDG&E concurrently filed testimony with its application entitled Report on the Reasonableness of Energy Operations & Expenses for the Record Period May 1, 1986 - April 30, 1987 (Exhibit (SDG&E-2)) along with supporting Qualifications of Witnesses (Exhibit (SDG&E-4)). Although the application did not specifically request the Commission to find that SDG&E's gas operations and expenses were reasonable, Exhibit (SDG&E-2) addressed all of SDG&E's natural gas procurement activities during the Record Period (i.e., not solely procurement of gas for power plants).

On October 26, 1987, SDG&E filed a motion seeking permission to file a Second Amendment to Application along with supporting testimony which requests authority to change the Preliminary Statement to its tariffs as described therein; specifically, (1)

to incorporate the Target Capacity Factor (TCF) procedure for SONGS Unit 1, established and implemented by Decisions 85-12-104 and 87-08-023, in its Nuclear Unit Incentive Procedure, (2) to add a third economic modifier to its Nuclear Unit Incentive Procedure, and (3) to comply with Decisions 87-01-051 and 87-07-015. In addition, SDG&E mailed to all parties the Additional Prepared Direct Testimony of James M. Nugent which updates his previously filed testimony and addresses the reasonableness of SDG&E's disposition of its EEDA assets during the Record Period in accordance with Decision 87-07-015.

On November 3, 1987, the DRA filed a motion to defer the receipt of certain evidence; specifically, to defer review of all of SDG&E's purchase power transactions and operations until after the decision in the Southwest Powerlink ("SWPL") Rehearing portion of Application 84-12-015.

On November 5, 1987, the DRA mailed to all parties its testimony in the reasonableness phase of this proceeding which consisted of two reports entitled Evaluation Report on San Diego Gas & Electric Company's Annual Energy Rate Revision, Energy Cost Adjustment Clause Rate Revision, and Reasonableness of Operations (Part II Reasonableness) and Energy Cost Adjustment Clause Audit Report on San Diego Gas & Electric Company, respectively. In Chapter 14 of the former report, the DRA stated that "[t]he PSD analysis of purchased power in the Record Period is postponed until the Southwest Power Link Rehearing case, A. 84-12-015 has been decided." And in Chapter 17 the DRA stated it intended to review the reasonableness of all of SDG&E's natural gas operations, gas procurement and gas costs for a Record Period beginning May 1986 in conjunction with SDG&E's next CAM filing. The latter report detailed the DRA's audit findings and recommendations.

On November 12, 1987, SDG&E filed its response opposing in most respects DRA's motion to defer the receipt of certain evidence.

SDG&E and the DRA desire to resolve many of the procedural and substantive issues currently pending so that the reasonableness phase of this proceeding can be handled in an efficient and timely manner yet allow for complete review of all reasonableness issues for the Record Period.

#### Request for Appropriate Orders

SDG&E requests that:

1. The Commission grant SDG&E's motion to file a Second Amendment to Application along with the supporting testimony. SDG&E further requests that the Second Amendment to Application which accompanied the motion be deemed filed. SDG&E understands the DRA will not oppose the relief requested in the amendment.

SDG&E shall present its witnesses (Messrs. Erickson and Whelan) at the hearings beginning December 1.

2. The reasonableness of SDG&E's payments to Qualifying Facilities (see Exhibit (SDG&E-2), Ch.II.H.) be addressed in the December 1 hearings. However, SDG&E requests deferral of the reasonableness review of SDG&E's remaining purchased power operations and expenses as follows: First, the reasonableness of the signing and Record Period administration of SDG&E's Long Term Transmission Service Agreement and Long Term Power Sale Agreement with Portland General Electric Company (see Exhibit (SDG&E-2), Ch.II.G., p. II-64-65) shall be deferred until the next ECAC proceeding. Second, the DRA shall file its testimony concerning the reasonableness of SDG&E's remaining purchase power operations and expenses (see Exhibit (SDG&E-2), Ch. II.A. - II.G. (except PGE)) within 45 days after the initial issuance of the Commission's decision in the SWPL Rehearing (A. 84-12-015), and the Commission shall schedule hearings as soon thereafter as practical.

3. The Commission grant SDG&E's motion (to be filed within two weeks) to file a Third Amendment to Application which requests the Commission to find SDG&E's gas operations and expenses during the May 1, 1986 to April 30, 1987 Record Period, reasonable. SDG&E further requests that reasonableness review of SDG&E's entire gas operations and expenses during the Record Period be undertaken as follows: The DRA shall complete its review of SDG&E's entire gas operations and expenses. No specific time schedule shall be adopted at this time, although the DRA shall use its best efforts to complete such review as soon as possible. (The DRA currently plans to complete this review and file its report in January, 1988.) The Commission shall schedule hearings as soon thereafter as is practical. In addition, the portion of the Additional Prepared Direct Testimony of James M. Nugent concerning the reasonableness of SDG&E's disposition of its EEDA assets during the Record Period shall also be addressed at these hearings.

4. The DRA has recommended a disallowance for SDG&E's share of replacement fuel expenses associated with SONGS 1 outage of November 20, 1985, which the PSD alleges resulted from imprudence on the part of Southern California Edison ("SCE"), the operator of SONGS. This DRA recommendation is consistent with its proposed disallowance in SCE's 1987 ECAC proceeding (A. 87-02-019) and is being litigated therein. SDG&E requests the decision in this proceeding order that SDG&E will be assessed its proportionate share of any disallowance the Commission determines is appropriate in Application 87-02-019, if any.

5. With respect to the findings and recommendations of the DRA detailed in its audit report, SDG&E requests the decision in this proceeding order that:



a. In accordance with the DRA's recommendation, SDG&E shall prospectively apply the ECAC/AER ratio to all revenues associated with economy energy sales, except for incremental O&M, beginning the effective date of the decision in this proceeding.

b. In accordance with the DRA's recommendation, SDG&E shall credit the ECAC balancing account with interest on power purchases from Kelco during the Record Period (\$73,919 as of April 30, 1987), and shall book future payments to Kelco (under the same contract) to the ECAC balancing account on a recorded basis.

c. With one modification, SDG&E shall change its method for booking revenues to the ERAM balancing account from the current "multi-allocation method" to one based on recorded revenues beginning on the effective date of this decision in accordance with the DRA's recommendation: SDG&E shall prorate its ERAM margin in the month of a margin change as is presently done in the approved CAM balancing account procedures so that SDG&E and its ratepayers are made whole for the cycle billing effect reflected in the current method. The DRA concurs in this modification.

d. The ECAC balancing account shall not be credited \$438,000 (plus related interest) as of April 30, 1987, for "Chevron/Unocal overbillings" based on the DRA's withdrawal of its recommendation. It is understood that the underlying dispute concerning these billings was resolved after the close of this Record Period. The DRA shall not be precluded from reviewing the reasonableness of the settlement of this specific dispute in the next ECAC proceeding.

e. SDG&E shall credit the ECAC balancing account for interest on "unrecorded AEI/EFI revenues" (\$12,300 as of April 30, 1987). It is understood that the correcting adjustment for the underlying principal amount was previously made in May, 1987.

f. As noted in the DRA's audit report, SDG&E shall make an appropriate adjustment to the ERAM balancing account (\$67,413 plus related interest) to correct for a mathematical error. It is understood that this adjustment was previously made in July, 1987.

g. SDG&E shall credit the ERAM balancing account \$366,977.53 plus related interest back to the dates payments by EFI under a disputed 1984 True Up Invoice were received by SDG&E. There shall be no similar adjustment for a payment of \$141,790.60 by EFI to SDG&E under a disputed 1985 True Up Invoice since the invoice was properly mailed by SDG&E and the disputed payments

were received by SDG&E after January 1, 1986, the date when miscellaneous revenues became excludable from ERAM pursuant to Decision 85-12-104.

Very truly yours,

*Michael R. Weinstein*

Michael R. Weinstein

/mb

cc: All Parties of Record  
W. L. Reed (SDG&E)  
Al Pak (SDG&E)

(END OF APPENDIX A)

Decision 89 04 059 APR 26 1989

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
San Diego Gas & Electric Company,  
for Authority to Introduce a  
Mandatory L6-TOU Rate to Replace its  
Existing A6-TOU and AL-TOU Rates and  
to Revise Portions of its Existing  
Standby Tariffs. (U 902-E)

Application 87-04-018  
(Filed April 10, 1987)

In the Matter of the Application of  
San Diego Gas & Electric Company for  
Authority to Revise its Energy Cost  
Adjustment Clause (ECAC) Rate, to  
Revise its Annual Energy Rate (AER),  
and to Revise its Electric Base  
Rates effective November 1, 1987 in  
accordance with the Electrical  
Revenue Adjustment Mechanism (ERAM).  
(U 902-E)

Application 87-07-009  
(Filed July 2, 1987;  
amended August 20, 1987)

O P I N I O N

Summary

This decision finds that San Diego Gas & Electric Company's (SDG&E) actions during the 1986-1987 record period were reasonable and adopts a stipulated disallowance of \$226,034 for a November 21, 1985 San Onofre Nuclear Generating Station Unit 1 (SONGS 1) forced outage. Additionally, SDG&E is required to credit future payments from the sale of two ratepayer supported exploration and development programs (EEDA) to ratepayers and is authorized to revise its nuclear unit incentive procedure.

Procedural Background

Decision (D.) 87-12-069 addressed the restructuring of SDG&E's electric rates, Application (A.) 87-04-018, and SDG&E's regularly-scheduled Fall 1987 energy cost adjustment clause (ECAC) proceeding, A.87-07-009. However, the reasonableness review for