

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-3187
May 4, 1990

R E S O L U T I O N

RESOLUTION E-3187. SAN DIEGO GAS & ELECTRIC COMPANY REQUESTS AUTHORITY TO INCREASE ITS AUTHORIZED BASE RATE REVENUE BY \$28,500, TO REFLECT CORRECTED EXPENSES FOR THE HEBER BINARY PROJECT.

BY ADVICE LETTER 784-E, FILED ON MARCH 6, 1990.

SUMMARY

1. By Advice Letter 784-E, San Diego Gas & Electric Company (SDG&E) requests authorization to increase its Authorized Base Rate Revenue by \$28,500 to true-up the forecast 1990 expenses for the Heber Binary Project (Heber Project) previously approved by the Commission.
2. This Resolution authorizes the increase.

BACKGROUND

1. The Heber Project is an experimental 45 Megawatt geothermal power plant located in Imperial County, California. SDG&E owns 31.3 percent of the Heber Project¹. Due to problems obtaining the necessary geothermal brine, the plant has been shut down since June 1987. SDG&E currently maintains the plant in "caretaker" storage.
2. In 1987, SDG&E experienced difficulties in operating the Heber Project primarily because of an insufficient supply of hot brine from wells which were not under SDG&E's control. In view of these difficulties and for other reasons, SDG&E decided to shut down the plant operation and place it in storage with a minimum of on-going expense.

¹ The other owners are the U.S. Department of Energy, the Electric Power Research Institute, the Imperial Irrigation District, Southern California Edison Company, and the State of California.

3. The decision to terminate the heat contracts came as a result of Chevron Resources Company, the owner of the wells, finding that it would take up to two more years, or even longer, to get to a "full-flow" status, in order to operate the plant at peak capacity. The plant needs a "full flow" status to be commercially viable.

4. In September 1989 the Commission Advisory and Compliance Division (CACD) met with SDG&E to discuss the future of the Heber Project. SDG&E plans to either sell the project, or, if it becomes feasible to obtain geothermal brine, to resume operations.

5. Decision (D.) 83-05-047 provided for continued funding of Heber Project related expenses, subject to a reasonableness review by the Commission.

6. Resolution E-3146, dated April 26, 1989, approved an increase to the Authorized Base Rate Revenue for the Heber Project of \$2,418,400. Authorized Base Rate Revenue is recorded in SDG&E's Electric Rate Adjustment Mechanism account, which is an interest bearing balancing account.

7. On November 1, 1989, SDG&E filed Advice Letter 779-E, which sought authority to reduce the Authorized Base Rate Revenue for 1990 by \$2,015,800 to reflect decreased expenses and ad-valorem tax associated with the plant, and an over-collection in the Heber Project balancing account. The reduction became effective January 1, 1990.

8. In Advice Letter 779-E, SDG&E indicated that the requested decrease was based on an estimate of the year-end balance of the Heber Project balancing account and used the 1989 San Diego Franchise Fee Differential Factor². SDG&E stated in the advice letter that after the actual figures were known for 1990 it would file an advice letter to true-up the amount of the decrease.

9. SDG&E filed the Heber Project reduction before the end of the year so that the change would coincide with other revenue changes effective January 1, 1990. In the interest of rate stability, SDG&E proposed to defer reflecting the change in rates until the Commission authorizes rate changes in SDG&E's current Energy Cost Adjustment Clause proceeding (Application 89-09-031).

2 The San Diego Franchise Fee Differential Factor is used to gross up SDG&E's revenue requirement to account for the City of San Diego's franchise fees. It is distinct from the Franchise Fee and Uncollectibles multiplier which is developed in the General Rate Case.

NOTICE

1. Public notice of this filing was made by mailing copies of the advice letter to other utilities, governmental agencies and to all interested parties who requested such notification. Notice of the advice letter filing was published in the Commission calendar on March 9, 1990.

PROTESTS

1. No protests have been received by the CACD.

DISCUSSION

1. By Advice Letter 779-E, SDG&E previously requested a decrease in Authorized Base Rate Revenue because of reduced expenses to maintain the Heber Project in storage condition in 1990. The increase authorized by this Resolution corrects the previous reduction to reflect (1) the actual year-end balance in the Heber Project balancing account, and (2) the 1990 San Diego Franchise Fee Differential Factor.

2. The projected year-end balance used to calculate the initial reduction in Advice Letter 779-E was \$536,000. The actual account balance as of January 1, 1990 was \$508,200. Therefore, SDG&E reduced its Authorized Base Rate Revenue by \$27,800 too much.

3. The San Diego Franchise Fee Differential Factor used to calculate the initial reduction was the 1989 figure of 1.00897. For 1990, the correct factor is 1.00889.

4. These two corrections result in a change of \$28,500. The net decrease to the Authorized Base Rate Revenue due to reduced 1990 Heber Project expenses, therefore, is \$1,987,300. With this adjustment, the total Authorized Base Rate Revenue would be \$803,268,100.

5. CACD has reviewed SDG&E's calculations and recommends that the Commission authorize the adjustment to the Authorized Base Rate Revenue.

FINDINGS

1. The increase to the Authorized Base Rate Revenue proposed by SDG&E is reasonable.

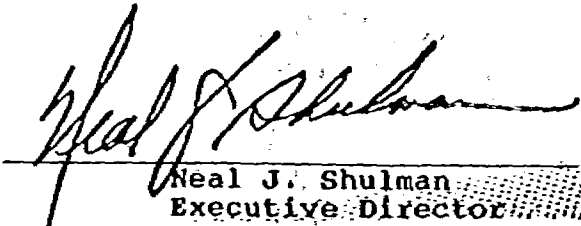
2. The base rate revenue revisions authorized in this resolution should be made subject to further adjustment or revision when and if SDG&E sells its interest in the Heber Binary Project.

THEREFORE, IT IS ORDERED that:

1. San Diego Gas & Electric Company is authorized to increase its Authorized Base Rate Revenue by \$28,500 as proposed by Advice Letter 784-E. The base rate revenue adjustment for the Heber Binary Project authorized herein is to remain in effect until December 31, 1990, and will be subject to further revision by the Commission when and if San Diego Gas & Electric Company completes a sale of its portion of the Heber Binary Project prior to that date.
2. Advice Letter 784-E and its accompanying tariff sheets shall be marked to show they were approved by Resolution E-3187.
3. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on May 4, 1990. The following Commissioners approved it:

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


Neal J. Shulman
Executive Director