

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

E-3

Copy for:

Orig. and Copy

to Executive Director

Director

Numerical File

Alphabetical File

Accounting Officer

RESOLUTION: E-2055

EVALUATION & COMPLIANCE DIVISION

BRANCH: Energy

DATE: November 6, 1985

R E S O L U T I O N

ORDER AUTHORIZING SAN DIEGO GAS AND ELECTRIC COMPANY (SDG&E) TO REVISE THE ELECTRIC AUTHORIZED BASE RATE REVENUE TO OFFSET SDG&E'S PORTION OF THE 1985 PROJECTED EXPENDITURES FOR THE HEBER BINARY PROJECT

By Advice Letter 636-E filed March 11, 1985, San Diego Gas and Electric Company (SDG&E) requests authority to revise the Electric Authorized Base Rate Revenue to offset San Diego's portion of the 1985 projected expenditures for the Heber Binary Project. The facts are as follows:

1. This filing is being made pursuant to Decision No. 91271, dated January 1, 1980 in Application No. 59280.
2. SDG&E is proposing to change the Electric Authorized Base Rate Revenue, but not change rates at this time, in order to minimize the number of rate changes this year. SDG&E's 1986 General Rate Case Application No. 84-12-015 request includes expenditures for a recovery of an undercollection in the Heber balancing account. Upon approval of this advice letter, SDG&E's request to recover the undercollections will be excluded in the decision of that application.
3. The calculation of the net increase in SDG&E's electric base rate revenue requirement related to the Heber Binary Project is shown in Attachment A to this Resolution. SDG&E has reflected a \$327,000 adjustment in its calculation. By this adjustment SDG&E proposes to allocate unspent adopted Test Year 1984 non-Heber R&D expenditures to the Heber Project. Justification for the projected 1985 expenditures for the Heber Binary Project are set forth in Attachment B to this Resolution.
4. Implementation of San Diego's 1985 Heber Binary Project adjustment necessitates the revision of the Authorized Base Rate Revenue amount set forth in Section 14.(b)(2) of SDG&E's Preliminary Statement. As of November 6, 1985 the Electric Authorized Base Rate Revenue amount for SDG&E will be \$633,637,414. The development of this amount is as follows:

1. 1985 Authorized Base Rate  
Revenue Effective 1/1/85       \$ 625,898,698
2. Proposed 1985 Heber Binary  
Project Adjustment               \$    7,738,716
3. 1985 Authorized Base Rate  
Revenue Effective 11/6/85       \$ 633,637,414

5. The Staff has conducted an audit of SDG&E's records and finds them to be in conformance with Commission Decision No. 91271. However, the Staff auditor recommends that the following requirements be included in the order herein:

- SDG&E submit a report justifying the various cost overruns related to the nonheat costs.
- SDG&E, in their next advice letter filing, reflect any adjustments resulting from future audits by the Department of Energy (D.O.E.) of Fluor, the general contractor, in the Heber balancing account.

6. Public notification of this filing has been made by mailing copies to other utilities, governmental agencies and to all interested parties who requested such notification. In addition, a copy of the filing was provided to the Public Staff Division for its information and review. The Commission Staff received no protests in this matter.

7. This filing has been reviewed by the Energy Branch of the Evaluation and Compliance Division and approval is recommended.

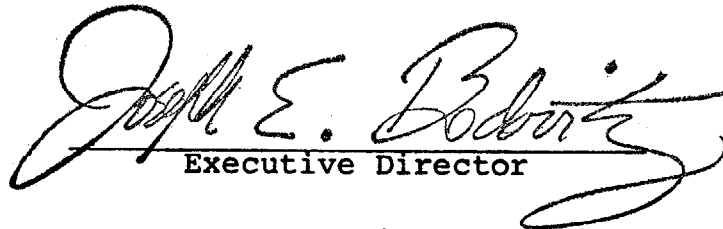
**THEREFORE:**

1. San Diego Gas and Electric Company is authorized by Section 454 of the Public Utilities Code and Section X.A. of General Order 96-A to place the advice letter and accompanying tariff sheets into effect today.
2. It is ordered that, SDG&E submit a report to the Commission within 60 days justifying the various cost overruns related to the nonheat costs.

3. It is further ordered that SDG&E shall reflect any adjustments from future audits by the D.O.E. of Fluor in the Heber balancing account.

4. The above advice letter and tariff sheets shall be marked to show that they were accepted for filing by Commission Resolution E-2055. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular scheduled meeting on November 6, 1985.  
The following Commissioners approved it:

  
Executive Director

DONALD VIAL  
President  
VICTOR CALVO  
PRISCILLA C GREW  
WILLIAM T BAGLEY  
FREDERICK R. DUDA  
Commissioners

San Diego Gas & Electric Company  
Heber Binary Project  
Development of Additional Revenue Requirement

	<u>UNITS</u>	<u>AMOUNT</u>
1. Estimated Expenses in 1985	M\$	5,440.0
2. Balance of Heber Balancing Account as of January 1, 1985 (Attachment A, Page 2 of 2)	M\$	1,573.4
3. Underspending of 1984 R&D Expenses	M\$	327.0
4. Expenses Reflected in Current Rates	M\$	2,286.0
5. 1985 PG&E Contribution	M\$	63.0
6. Proposed Net Increase in Revenue Requirement (Line 1 - Line 2 - Line 3 - Line 4 - Line 5)	M\$	1,190.6
7. Proposed Net Increase in Revenue Requirement Adjusted for Franchise Fees and Uncollectibles (Line 6 x 1.0128)	M\$	1,205.8
8. Proposed Net Increase in Revenue Requirement Adjusted for San Diego City Franchise Fee Differential (Line 7 x 1.00955)	M\$	1,217.3
9. Proposed Net Increase in Revenue Requirement Adjusted for Recovery from November - December 1985 (Line 8 ÷ .1573)	M\$	7,738.7

San Diego Gas & Electric Company  
Heber Balancing Account

Summary of Heber Balancing Account Entries  
June 1, 1983 through December 31, 1984  
(Thousands of Dollars)

<u>Month</u>	<u>Beginning Balance</u> (a)	<u>Recorded Expense</u> <sup>(3)</sup> (b)	<u>Allocated Adopted Expense</u> <sup>(4)</sup> (c)	<u>Interest</u> (d)	<u>Ending Balance</u> <sup>(5)</sup> (e)
JUN 1983	(6,294.0)	291.2	533.8	(47.2)	(6,583.8)
JUL 1983	(7,450.1) <sup>(1)</sup>	284.9	532.5	(99.5)	(7,797.2)
AUG 1983	(7,797.2)	1,024.1	792.3	(62.4)	(7,627.8)
SEP 1983	(7,627.8)	745.0	1,085.6	(65.3)	(8,033.7)
OCT 1983	(8,033.7)	1,800.6	1,074.3	(62.2)	(7,369.6)
NOV 1983	(7,369.6)	1,235.0	1,053.0	(57.6)	(7,245.2)
DEC 1983	(7,245.2)	3,162.8	1,094.4	(49.7)	(5,226.5)
JAN 1984	(5,226.5)	644.6	955.0	(45.0)	(5,581.9)
FEB 1984	(5,581.9)	923.0	890.4	(45.0)	(5,594.3)
MAR 1984	(5,594.3)	917.8	867.1	(45.5)	(5,589.1)
APR 1984	(5,589.1)	1,971.7	839.5	(43.3)	(4,500.2)
MAY 1984	(4,500.2)	1,522.0	816.2	(36.9)	(3,831.3)
JUN 1984	(3,831.3)	1,920.3	853.3	(30.7)	(2,795.0)
JUL 1984	(2,795.0)	1,443.7 <sup>(2)</sup>	851.2	(113.2)	(2,315.7)
AUG 1984	(2,315.7)	1,448.5	885.1	(19.8)	(1,772.1)
SEP 1984	(1,772.1)	962.9	918.0	(17.0)	(1,744.2)
OCT 1984	(1,744.2)	1,110.9	908.4	(15.8)	(1,557.5)
NOV 1984	(1,557.5)	1,144.6	890.4	(12.7)	(1,316.0)
DEC 1984	(1,316.0)	679.4	925.4	(11.4)	(1,573.4)

(See Page 2A of 2 for footnotes)

FOOTNOTES

- (1) Reflects \$(866.3) R&D transfer.
- (2) Reflects \$(1,545.3) R&D transfer.
- (3) SDG&E's share of the Heber Binary Projects' recorded monthly expenses, excluding G&A, Property Tax, Employee Benefits, and Heat Costs during demonstration.
- (4) Rate Case approved expenses allocated back to individual months.
- (5) Sum of Columns (a) + (b) - (c) + (d).

( ) Overcollection

## HEBER BINARY PROJECT

## 1985 EXPENDITURES

Projected 1985 expenditures for the Heber Binary Project are extracted from the 1984 Project Estimate Update. This Estimate Update was a bottoms-up estimate using sunk costs through July 1984. This update of projected costs gave all cognizant internal groups the opportunity to revisit the effort required to provide support to the Project. In addition, firmer estimates to complete were provided by major contractors. All major equipment had been purchased. A summary, by major estimate component is delineated below by total and the SDG&E share:

CY 1985  
NON-HEAT COSTS x(000)

<u>Estimate Component</u>	<u>Total</u>	<u>SDG&amp;E Share (31.3%)</u>
SDG&E and Others	\$2,202	\$ 689
Major Equipment	2,809	879
Fluor	402	126
Dravo	2,046	641
Construction	5,879	1,840
O&M	3,582	1,121
Field Power	96	30
Non-Gen. Heat	<u>363</u>	<u>114</u>
	\$17,379 <sup>1</sup>	\$ 5,440

<sup>1</sup> Excludes G&A, Property Tax, Employee Benefits, and Heat Costs during demonstration

### Project Costs

In 1982 a detailed definitive estimate of total Project costs was prepared. This estimate was used during proceedings which led to CPUC Decision 83-05-047. The decision documented CPUC approval of the Geothermal Sales Contract for the Project and established a ceiling for SDG&E's share of total Project costs ranging from \$89.7 million based on a plant availability factor of 50% to \$94.2 million based on a plant availability factor of 77.1%. In 1984 SDG&E updated its estimate of Project costs. SDG&E's share of total Project costs is estimated to be \$84.4 million based on a plant availability factor of 77.1%. This estimate is composed of \$40.7 million in non-heat costs and \$43.7 million in heat costs. SDG&E's current projection of Project costs suggests that SDG&E's costs will be below the ceiling established by the CPUC.

Two factors which could affect SDG&E's current estimate of its share of non-heat costs are the settlement of potential contractor claims and the availability of additional outside funding. SDG&E is continuing its efforts to obtain additional outside funding, primarily to cover non-heat costs.

### DWR

In 1984 the Department of Water Resources requested a change in its Project status from that of an owning utility to a contributor with a limit on its annual contribution of \$50,000. The effect of this request is a funding shortfall which is estimated to be \$2.2 million. SDG&E and IID are discussing how the unsubscribed ownership of DWR will be allocated. As an owner, SDG&E has an obligation to assume all or part of the DWR shortfall. In return, SDG&E will acquire additional ownership in the plant.

SDG&E will keep the Commission informed of future developments in these areas.