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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION
Energy Branch

RESOLUTION E-2088
June 4, 1986

RESOLUTION

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 1986 PROJECTED
EXPENDITURES FOR THE HEBER BINARY PROJECT

By Advice Letter 665-E filed February 28, 1986, San Diego Gas and Electric Company (SDG&E) requests authorization to revise the Electric Authorized Base Rate Revenue to offset SDG&E's portion of the 1986 projected expenditures for the Heber Binary Project. The facts are as follows:

1. This filing is being made pursuant to Ordering Paragraph 4 of Decision 91271, dated January 29, 1980 in Application 59280, Decision 93892, dated December 30, 1981, in Application 59788 and Decision 85-12-108.
2. The purpose of this advice letter is to revise the Authorized Base Rate Revenue to offset SDG&E's portion of the 1986 projected expenditures for the Heber Binary Project. SDG&E proposes to change the Authorized Base Rate Revenue, but not change rates at this time, in order to minimize the number of rate changes this year.
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 \$48,000 adjustment in its calculation. By this adjustment SDG&E proposes to allocate unspent adopted Test Year 1985 non-Heber R&D expenditures to the Heber Project. Justification for the projected 1986 expenditures for the Heber Binary Project are set forth in Attachment B to this Resolution.
4. Implementation of SDG&E's 1986 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 Electric

Preliminary Statement. As of June 4, 1986 the Electric Authorized Base Rate Revenue amount for SDG&E will be \$638,433,600. The development of this amount is as follows:

1. 1986 Authorized Base Rate Revenue Effective 1/1/86 \$ 628,063,400
2. Proposed 1986 Heber Binary Project Adjustment \$ 10,370,200
3. 1986 Authorized Base Rate Revenue Effective 6/4/86 \$ 638,433,600

5. The Staff has conducted an audit of SDG&E's records of the Heber Project and finds them to be in conformance with Commission Decision 91271.

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. A letter of protest was received by the City Attorney for the City of San Diego protesting the possible ex parte revision to SDG&E's Authorized Base Rate Revenue. SDG&E's response to this protest detailed the fact that the Staff proposed the filing of this advice letter on the record in Application 84-12-015, and no 1986 Heber amount was authorized in Decision 85-12-108 in that proceeding. Review of the protest in light of this proceeding indicates that the advice letter is appropriate.

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. The above advice letter and tariff sheets shall be marked to show that they were accepted for filing by Commission Resolution E-2088. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular scheduled meeting on June 4, 1986. The following Commissioners approved it:



Executive Director

DONALD VIAL
President
VICTOR CALVO
PRISCILLA C. GREW
FREDERICK R. DUDA
STANLEY W. HULETT
Commissioners

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

	<u>AMOUNT</u> (Thousands of Dollars)
1. Estimated Expenses in 1986	5,145.0
2. Balance of Heber Balancing Account as of January 1, 1986 (Attachment A, Page 2 of 2)	786.0 <u>1/</u>
3. Underspending of 1985 R&D Expenses	48.0
4. Expenses Reflected in Current Rates as of January 1, 1986 (including Heber Balancing Account Amortizations)	0
5. Proposed Net Increase in Revenue Requirement (Line 1 + Line 2 - Line 3 - Line 4)	5,883.0
6. Proposed Net Increase in Revenue Requirement Adjusted for Franchise Fees and Uncollectibles (Line 5 x 1.0126)	5,957.1
7. Proposed Net Increase in Revenue Requirement Adjusted for San Diego City Franchise Fee Differential (Line 6 x 1.00950)	6,013.7
8. Proposed Net Increase in Revenue Requirement Adjusted for Recovery From June 4 - December 1986 (Line 7 ÷ .5799)	10,370.2

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SAN DIEGO GAS & ELECTRIC
HEBER BALANCING ACCOUNT

Summary of Heber Balancing Account Entries
for the Year Ended December 31, 1985
(Thousands of Dollars)

<u>Month</u>	<u>Beginning Balance</u> (a)	<u>Recorded⁽¹⁾ Expense</u> (b)	<u>Allocated⁽²⁾ Adopted Expense</u> (c)	<u>Interest</u> (d)	<u>Ending⁽³⁾ Balance</u> (e)
Jan	(1,573.4)	757.8	205.9	(9.4)	(1,030.9)
Feb	(1,030.9)	221.1	192.0	(8.2)	(1,010.0)
Mar	(1,010.0)	247.9	187.0	(7.2)	(956.3)
Apr	(956.3)	748.9	181.1	(5.1)	(393.6)
May	(393.6)	482.9	176.0	(1.7)	(88.4)
June	(88.4)	794.5	184.0	1.5	523.6
July	523.6	384.1	183.5	3.8	728.0
Aug	728.0	413.7	190.9	5.3	956.1
Sept	956.1	301.8	198.0	6.5	1,066.4
Oct	1,066.4	474.9	195.9	7.9	1,353.3
Nov	1,353.3	350.9	721.9	7.6	989.9
Dec	989.9	650.7	860.3	5.7	786.0

FOOTNOTES

- (1) SDG&E's share of the Heber Binary Projects' recorded monthly expenses, excluding G&A, Property Tax, Employee Benefits, and Heat Costs during demonstration.
- (2) Approved expenses allocated back to individual months, excluding any adjustment for Franchise Fees and Uncollectibles and San Diego City Franchise Fee Differential.
- (3) Sum of Columns (a) + (b) - (c) + (d).

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HEBER BINARY PROJECT

1986 EXPENDITURES

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 October 1984, an update of the 1982 Heber Binary Project Definitive Estimate was presented by SDG&E to the Sponsors' Management Committee. While the projected total Project cost remained below the 1982 estimate, there was an increase in non-heat costs. The 1982 and 1984 estimates were audited by the CPUC Staff during their review of SDG&E's 1985 Heber Advice Letter 636-E.

The Definitive Estimate was updated again in October 1985. While this update showed variations in components of the Project costs, the total estimated cost is approximately \$3.2 million less than the 1984 estimate. The 1982 estimate was based on the assumption that 100% brine flow would be achieved in January 1986 and the Project would end in March 1988. The 1984 and 1985 estimates were based on the assumption that 100% brine flow would be achieved in May 1986 and the Project would end in July 1988. The following table compares the 1982, 1984, 1985 estimates, and the January 1986 trend.

	<u>1982 Estimate</u>	<u>1984 Estimate</u>	<u>1985 Estimate</u>	<u>January 1986 Trend</u>
Fluor	\$ 12,298,836	\$ 19,451,000	\$ 19,451,000	\$ 19,451,000(1)
Dravo	4,212,874	5,648,000	5,848,000	5,848,000
Major Equipment	53,749,365	47,619,000	47,619,000	47,619,000
Construction	22,453,280	22,608,000	26,100,000	26,100,000(2)
SDG&E and Others	15,140,344	20,703,000	23,089,000	22,953,000
O&M	11,920,329	12,643,000	15,198,000	15,198,000
Heat	67,799,690	55,179,000	44,969,000	43,627,000
Field Power	1,011,123	96,000	0	0
Total	<u>\$188,585,841</u>	<u>\$183,947,000</u>	<u>\$182,274,000</u>	<u>\$180,796,000(3)</u>

- (1) Work Completed
- (2) Construction claims are not included
- (3) Includes Administrative & General

For additional information on Project costs, parties are referred to the Analysis of Non-Heat Cost Growth filed with the CPUC on February 4, 1986, and to the semi-annual Project status reports submitted to the CPUC.

Projected 1986 expenditures for the Heber Binary Project are extracted from the 1985 Project Estimate Update. A summary, by major estimate component, is delineated below by total and the SDG&E share:

CY 1986 <u>NON-HEAT COSTS x (000)</u>		
<u>Estimate Component</u>	<u>Total</u>	<u>SDG&E Share (88.7%)</u>
SDG&E and Others	\$1,367	\$1,212
Major Equipment	0	0
Fluor	0	0
Dravo	0	0
Construction	0	0
O&M	4,434	3,933
Field Power	0	0
Non-Gen. Heat	0	0
	<u>\$5,801 (1)</u>	<u>\$5,145</u>

(1) Excludes G&A, Property Tax, Employee Benefits, and Heat Costs