

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

ID #13789
RESOLUTION E-4715
April 9, 2015

R E S O L U T I O N

Resolution E-4715. Approves San Diego Gas and Electric Company's ("SDG&E") request of the final costs related to the acquisition of the El Cajon Energy Facility (ECEP)

PROPOSED OUTCOME:

- This Resolution approves \$16.7 million as the final recognized cost of acquiring the El Cajon Energy Facility.
- With this approval, which is below the previously determined cost cap, no change in ratemaking is required.

SAFETY CONSIDERATIONS:

- Some minor safety improvements to an existing and operational facility were completed as part of the acquisition process.

ESTIMATED COST:

- The final acquisition cost related to the El Cajon Energy Facility is \$16.7 million.

By Advice Letter 2658-E filed on October 10, 2014.

SUMMARY

By Advice Letter (AL) 2658-E filed on October 10, 2014, San Diego Gas and Electric Company (SDG&E) submitted its final acquisition costs related to the El Cajon Energy Facility pursuant to Ordering Paragraph 3 of Decision (D.) 11-12-002.

BACKGROUND

SDG&E filed Application (A.) 11-01-004 on January 5, 2011 to obtain authorization from the Commission to acquire ECEF from CalPeak Power-El Cajon LLC (CalPeak). The ECEF is an existing peaker power plant located on SDG&E's property at its El Cajon substation. After probing the issues identified in the scoping memo, the Commission made several determinations in D.11-12-002 including the following:

1. SDG&E should be authorized to acquire the ECEF.
2. The cost to acquire the ECEF should be capped at \$16.8 million.

The Commission approved SDG&E's acquisition of ECEF for \$16.8 million on December 9, 2011. D.11-12-002 directed SDG&E to submit a Tier 3 advice letter after it had completed acquisition of ECEF and to compare the actual expenditures to the \$16.8 million cost estimated in the application.

On October 10, 2014, SDG&E filed AL 2658-E requesting Commission approval of \$16.7 million as the final recognized cost of acquiring ECEF. Actual expenditures totaled \$17.0 million. With the removal of North American Electric Reliability Corporation (NERC) cyber-security costs totaling \$0.3 million, SDG&E seeks approval of \$16.7 million as the final recognized cost of acquiring ECEF.

NOTICE

Notice of AL 2658-E was made by publication in the Commission's Daily Calendar. SDG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

Advice Letter AL 2658-E was not protested.

DISCUSSION

D.11-12-002 directed SDG&E to submit a Tier 3 advice letter after it had completed the acquisition of ECEF and to compare the actual expenditures to the \$16.8 million cost estimated in the application.

In D.11-12-002, the Commission authorized SDG&E's acquisition of ECEF from CalPeak. The Commission also established that after SDG&E had completed the acquisition of ECEF, SDG&E would submit a Tier 3 advice letter to compare the actual expenditures to the \$16.8 million cost estimated in the application.

SDG&E acquired ECEF on January 1, 2012. Completion of the proposed work at ECEF was delayed by over a year.

SDG&E's final acquisition cost for ECEF meets the requirement of the cost cap stipulated in D.11-12-002.

The final acquisition cost for ECEF filed via AL 2658-E is \$16.7 million. The cost cap stipulated in D.11-12-002 was \$16.8 million.

SDG&E, in AL 2658-E, has complied with D.11-12-002.

On October 10, 2014, SDG&E filed Tier 3 AL 2658-E, which includes an itemized comparison of estimated expense and actual cost for the acquisition of ECEF. AL 2658-E complies with Ordering Paragraph 3 of D.11-12-002.

Safety

SDG&E estimated the cost of purchasing the plant as \$13.7 million. Actual cost is \$13,721,481. The \$21,481 overage consists of miscellaneous closing costs at the time of payment and is included in Transaction Costs. SDG&E estimated the cost of upgrading control system and Continuous Emissions Monitoring System (CEMS) to be \$200,000, and the actual cost was \$58,589. The CEMS upgrade was completed in 2012, to conform with SDG&E's CEMS systems. SDG&E also made safety and security enhancements, including security changes for remote monitoring and operations from Palomar Energy Center, safety improvements to ensure satisfaction of OSHA requirements and SDG&E standards. The cost estimate for these enhancements was \$150,000, and actual cost was \$450,166.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day

period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS

1. D.11-12-002 approved SDG&E's acquisition of El Cajon Energy Facility from CalPeak on December 9, 2011.
2. Ordering Paragraph 3 of D.11-12-002 directed SDG&E to file a Tier 3 Advice Letter after it had completed acquisition of ECEF and to compare the actual expenditures to the \$16.8 million cost estimated in the application.
3. On October 10, 2014, SDG&E filed Tier 3 AL 2658-E.
4. AL 2658-E included an itemized comparison of estimated expenses and actual costs with a discussion pertaining to notable variances.
5. AL 2658-E complies with D.11-12-002.

THEREFORE IT IS ORDERED THAT:

1. The request of SDG&E for recognition of the final acquisition cost of El Cajon Energy Facility to be \$16.7 million in Advice Letter AL 2658-E is approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on April 9, 2015; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director