BR/NB *

ORIGINAL

Decision No. 67686

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of Sierra Pacific Power Company for authority to revise its rates for electric service in California; by canceling certain schedules; by increasing certain schedules; by decreasing certain schedules; and by revising its rules and regulations.	)	Application No. 45689 Filed August 20, 1963
Investigation on the Commission's own motion into the rates, charges, rules, operations, practices, contracts, service and facilities of SIERRA PACIFIC POWER COMPANY.	)	Case No. 7811 Instituted January 7, 1964

Richard G. Campbell and Richard O. Kwapil, Jr., for applicant and respondent.
Vernon S. Lindgren, for Feather River Lumber Company; and John E. Houlgate, for Clements Rock Products Inc.; protestants in Application No. 45689 and interested parties in Case No. 7811; Stanley Gray, in propria persona; protestant in Application No. 45689.
W. R. Roche, K. Kindblad, and C. V. Shawler, for the Commission staff.

OPINION

Applicant's Request

By this application Sierra Pacific Power Company (hereinafter sometimes called Sierra Pacific) requests authority to revise its rates for electric service in California so as to eliminate the existing rate zone differentials and provide uniform rates throughout its California service area. The proposal would result in increases to some customers and decreases to others with resulting overall increases in applicant's estimated revenues of $7,300 for the year 1963 and $2,000 for the year 1964.

Case No. 7811 was instituted to facilitate the investigation and consideration of any and all aspects of applicant's tariffs and operations which might be deemed beyond the scope of applicant's proposals in Application No. 45689.

Public Hearing

Public hearing on the two matters was held on a consolidated record before Commissioner Grover and Examiner Patterson on January 15, 16 and 17, 1964, at Tahoe City, and the matter was submitted on January 17, 1964.

Applicant presented 7 exhibits and testimony by 7 witnesses in support of its application. The Commission staff presented 4 exhibits and testimony by 3 witnesses. Two customers testified in protest to the effect the proposed rates would have upon their operations.

Applicant's Operations

Applicant is a public utility incorporated under the laws of the State of Maine and doing business in the states of California and Nevada. In Nevada applicant supplies electric, gas and water service in the Reno-Sparks area, and electric service in the west central portion of Nevada extending generally from Battle Mountain, on the east, to the California border, on the west. In California applicant supplies electric service in the Lake Tahoe area, extending north to the towns of Loyalton and Portola and south to the town of Markleeville and the Antelope Valley in Mono County. Its electric operations in the two states are interconnected by both transmission and distribution lines.

The sources of electric energy available to applicant are: (1) purchases from the Pacific Gas and Electric Company at Donner Summit and incidental purchases from the Feather River Lumber Company at Loyalton, California, and from the Truckee-Carson Irrigation District at Lahontan, Nevada; (2) generation from four hydroelectric stations located on the Truckee River west of Reno, only one of which is located entirely within California; (3) generation from three diesel electric generating stations located respectively near Reno, Carson City, and Battle Mountain, Nevada, and (4) generation from one steam turbine unit and two gas turbine units located at Tracy Steam Generating Plant east of Reno in Nevada.

Sierra Pacific has been primarily a distributing company, having purchased most of its electric energy requirements from the Pacific Gas and Electric Company. Applicant's four small hydroelectric generating plants all operate on base load. The diesel electric and the gas turbine generating units are used primarily for peaking and emergency service. The 53,000 kilowatt steam turbine unit at the Tracy plant, installed in the Fall of 1963, is used for peaking but also contributes to some of the base load requirements. Sierra Pacific is now in a period of transition from a distributing company to a generating company, and, with the planned program of generating plant construction, it is estimated that by 1967 the company will have sufficient capacity to carry the system load during emergencies without relying on purchases from the Pacific Gas and Electric Company. The new generating units scheduled under this program consist of a 5,000 kilowatt geothermal unit at Beowawe, Nevada, originally scheduled for 1964; an 80,000 kilowatt steam turbine unit at the Tracy plant scheduled for operation in 1965; a second 80,000 kilowatt steam turbine unit scheduled for operation in 1967 at a site to be selected; and another unit scheduled for operation between 1967 and 1970, the size, nature, and location of which have not yet been determined.

Sierra Pacific purchases energy from the Pacific Gas and Electric Company under the terms and conditions of a contract, dated February 23, 1961, a copy of which is included as Table 3-B of Exhibit 2. Briefly stated, this contract provides for the purchase by Sierra Pacific of 110,000 kilowatts of firm power at the rates specified therein for an initial term which expires at midnight of November 7, 1971, and which may extend thereafter from year to year subject to termination by either Sierra Pacific or Pacific Gas and Electric Company at the end of the initial term, or any subsequent contract year, upon three years' advance written notice. The rates specified in the contract increase as of January 1 each year and are dependent upon Sierra Pacific's installation of major generating units, with an effective ceiling established by the level of Pacific Gas and Electric Company's rate for resale service which is currently Schedule R.

There is also a provision in the contract for purchases in excess of 110,000 kilowatts when available. Sierra Pacific's maximum purchase to date under this contract was 126,491 kilowatts in November 1961.

Delivery of energy is taken by Sierra Pacific at Summit Substation through three transmission lines. Two of these lines, operated at 115 KV, transmit energy directly into Nevada. The third line, operated at 60 kv, feeds the Truckee Substation in California which serves applicant's northern portion of its California load.

Sierra Pacific's total system electric demand has increased from 31,300 kilowatts in the year 1946 to 155,100 kilowatts in 1962, and to 176,000 kilowatts in 1963. The California portion of these peak loads has increased at an even greater rate from 3,045 kilowatts in 1946 to 22,300 kilowatts in 1962 and 25,100 kilowatts in 1963. Applicant estimates a total electric system peak load of 193,800 kilowatts in 1964 of which the California portion is estimated to be 26,700 kilowatts.

In 1962 the average number of electric customers served in each classification in Nevada and California was as follows:

Classification	Average Number of Electric Customers Nevada	Average Number of Electric Customers California
Residential	33,158	10,714
Commercial and Industrial - Small	6,061	1,749
Commercial and Industrial - Large	3	- -
Public Street and Highway Lighting	17	7
Other Sales to Public Authorities	6	1
Sales for Resale	4	1
Total	39,249	12,472

The one resale customer served in California is the Truckee Public Utility District.

Earnings Studies

The applicant and the Commission staff presented evidence on revenues, expenses, rate base, and rate of return. Applicant's studies covered the years 1962, 1963, and 1964, for total company operations, total electric operations, and California Electric

Department operations. Rates of return developed by applicant in its studies may be summarized as follows:

	Rate of Return		
	1962 Recorded	1963 Estimated	1964 Estimated
Total Company	6.15%	6.52%	6.31%
Total Electric Department	7.11%	7.07%	6.47%
California Electric Dept.			
As Allocated	6.49%	6.37%	5.45%
As Adjusted	6.31%	5.43%	5.08%
Flow-through	7.71%	6.65%	6.32%

Applicant utilizes accelerated depreciation and the results summarized above include income taxes on a normalized basis, with the exception of the last line which reflects income tax calculations on a flow-through basis. Under California Electric Department operations the adjusted figures reflect the increase in purchased power costs to the basis of the increased rates which become effective at the end of each year under the purchased power contract with Pacific Gas and Electric Company, and elimination of non-recurring expenses. Also for the years 1963 and 1964, adjustments reflect proposed rates rather than present rates.

The staff presented in Exhibit 10 a results of operation study for the estimated year 1964 reflecting income taxes on a flow-through basis and proposed rates for electric service. The rate of return developed therein of 7.57 percent may be compared in the following tabulation with the rate of return of 6.32 percent developed by applicant for that same year on a similar basis.

Summary of Earnings
California Electric Department
Estimated Test Year 1964 at Proposed Rates

	Staff	Applicant
Operating Revenues	$ 2,941,500	$ 2,881,500
Operating Expenses		
Production	912,400	919,700
Transmission	7,400	7,400
Distribution	246,600	252,100
Customer Accounts	134,600	134,500
Sales	30,000	40,600
Administrative and General ..	251,800	267,400
Subtotal	1,582,800	1,621,700
Depreciation & Amortization	242,400	267,000
Taxes other than Fed. Income Taxes	269,300	295,600
Federal Income Taxes	143,900	30,400
Total Oper. Expenses	2,238,400	2,214,700
Operating Income	703,100	666,800
Rate Base	9,286,600	10,550,900
Rate of Return	7.57%	6.32%

Cost Allocations

The major difference between the staff's and applicant's studies is in rate base, wherein it may be noted the staff's rate base is $1,264,300 less than applicant's. This difference arises principally from differences in cost allocation procedures.

Applicant's witness treated the entire Sierra Pacific electrical production and transmission system as an integrated power pool operation, and allocated the cost of such plant and the expenses associated therewith between California and Nevada upon the basis of the respective demand responsibilities imposed by customers in the two states. To measure demand responsibilities he used the arithmetic average of coincident peak demands and average demands.

He testified that this same method of allocation was used in Sierra Pacific's presentation before the Public Service Commission of Nevada and that said method was accepted by that Commission in setting rates for service in Nevada.[1]

The staff witness utilized applicant's cost-of-service data but made adjustments to reflect what he considered the actual use made of production and transmission facilities in serving California customers. Since under normal conditions of service the entire North Tahoe area, including Truckee, Loyalton, and Portola, is served directly from the Truckee substation, principally with purchased power from Pacific Gas and Electric Company, he assigned directly to California the portion of the transmission plant which he considered to be used for that delivery but excluded the demand responsibility of the entire North Tahoe area in the calculations for allocating a portion of the integrated production and transmission facilities to California customers. Thus, only the demands of California customers in South Tahoe, Markleeville, and Mono County were recognized by him in assigning power pool costs to California. In addition he eliminated the proposed geothermal plant at Beowawe. The staff's allocation percentages also differed slightly from applicant's as the staff utilized the "load factor, excess demand theory" using both coincident and noncoincident demands.

Applicant admitted that the North Tahoe area is served primarily with purchased power but pointed out that even under normal operations more than 10 percent of the energy served in that area comes from the Verdi hydroelectric plant located in Nevada, and that under emergency conditions involving difficulties in the Pacific Gas and Electric Company's supply, the North Tahoe area must depend upon

1 I & S No. 279 decided May 1, 1963.

the Nevada generating facilities and transmission system for its power supply. The record shows that such emergency conditions have arisen 10 or 12 times during the past two years.

Applicant admitted that power generated by the Verdi hydroelectric plant would be cheaper than power purchased from Pacific Gas and Electric Company. The staff witness testified that if he had made an adjustment for the power generated by Verdi, a downward adjustment would have to be made to purchased power expenses.

As additional evidence that the North Tahoe area benefits from production and transmission plant located in Nevada, it was explained by applicant's witness that the high load factor of 91 percent at which energy is purchased from Pacific Gas and Electric Company is made possible because applicant utilizes its own generating facilities in Nevada for peak shaving. If applicant did not have such generating facilities, purchase of energy from Pacific Gas and Electric Company would necessarily have to be at the Sierra Pacific load factor of approximately 62 percent and billing would be on the Pacific Gas and Electric Company Schedule R, for resale service, rather than on the lower contract rate. Applicant stated that the net effect of these conditions would be to increase the cost of energy by 0.10308 cents per kwhr and that, for the entire California load of 140,600 megawatt-hours, production costs for California operations would be increased by $144,930. The staff witness disagreed with this figure, as it reflected power purchases at a lower load factor than contemplated by the company.

Adopted Results

The issue which is before us in this matter is whether it is more reasonable to accept applicant's integrated system, power-pool-allocation procedure or the staff's use-allocation procedure.

The power pool concept has been used and accepted in most instances involving cost allocations of electric utility systems in California.

The staff's method appears to give proper recognition to the facilities actually employed in serving California customers except that no recognition has been given to the beneficial effect which applicant's production facilities have on purchased power costs. To make an adjustment of $144,900 in the staff's estimate of production expenses would give recognition to applicant's production facilities, but there is no assurance that the degree of adjustment thereby attained would be proper. Therefore, we cannot accept applicant's suggested adjustment to the staff's method.

Even though the major portion of Sierra Pacific's California load is served principally by purchased energy, and even though applicant included in the integrated system the transmission lines and production plant located east of the Tracy and Silver Springs Substations, which are of no substantial direct benefit to California customers, we find it reasonable for the purposes of this proceeding to adopt applicant's rate base, excluding the proposed geothermal plant which will not be in operation until after 1964. To adjust for the geothermal plant, we will deduct $86,700 from applicant's rate base and increase applicant's production expenses by $15,200. We will adopt the staff's estimates for operating revenues and sales expenses. We will adopt applicant's estimates for transmission expenses, distribution expenses, customer accounts expenses and administrative and general expenses. Such adopted figures reasonably represent the results of applicant's operations for 1964 for the purposes of these proceedings. The estimated rate of return for the test year of 1964 which results from these adjusted figures is 6.76 percent, as shown in the following tabulation:

ADOPTED SUMMARY OF EARNINGS
California Electric Department
Estimated Test Year 1964 at
Proposed Rates with
Federal Income Tax Rates of 52%

Operating Revenues	$ 2,941,500
Operating Expenses	
Production	934,900
Transmission	7,400
Distribution	252,100
Customer Accounts	134,500
Sales	30,000
Administrative & General	267,400
Subtotal	1,626,300
Depreciation & Amortization	262,700
Taxes other than Federal Income Taxes	281,300
Federal Income Taxes	64,300
Total Oper. Expenses	2,234,600
Operating Income	706,900
Rate Base	10,464,200
Rate of Return	6.76%

Since submission of these matters, passage of the Revenue Act of 1964 has provided for reduction in Federal Corporation Income Tax from 52 to 50 percent on January 1, 1964, and to 48 percent on January 1, 1965. We take official notice of said Act, and, since we expect the customers to receive the benefit of the tax reduction, the reduction will be included in this decision. This decision will become effective at approximately midyear 1964, making it reasonable to apply the full 4 percent reduction at that time by using a Federal Income Tax of 48 percent for the year 1964. We find that, to obtain a rate of return of 6.76 percent with a Federal Income tax of 48 percent, applicant's revenues at proposed rates would have to be reduced by approximately $16,800, to $2,924,700.

Rate of Return

Applicant's request is based not upon a plea for rates to produce a specific rate of return but rather upon rates which will permit uniformity throughout applicant's system in Nevada and California. In support of the rate of return which would be virtually the same under either present or proposed rates, applicant presented, through a financial consultant, testimony and a rate of return analysis, Exhibit 3. The consultant testified that applicant has been required to raise large amounts of capital to finance the rapid growth experienced in recent years. Applicant's total invested capital, including bank loans, has increased from 34.7 million dollars in 1958 to 60.4 million dollars in 1962 and it was estimated it will have increased to 72.7 million dollars by the end of 1963 and to 83.0 million dollars by the end of 1964.

He calculated that earnings on average total capital declined from a high of 7.67 percent in 1959 to 6.07 percent in 1962, should increase to 6.52 percent in 1963, and then decline to 6.37 percent in 1964. During the same period earnings on average common equity declined from 16.07 percent in 1959 to 10.35 percent in 1962, should increase to 12.00 percent in 1963, and then decline to 11.03 percent in 1964. He compared Sierra Pacific's earnings with earnings of eight other western utilities which showed on the average higher earnings than Sierra Pacific. Based on the average capitalization for the year 1964, Exhibit 3 shows Sierra Pacific cost of capital to range from 7 percent with a 12 percent return on common equity to 7.69 percent with a 14 percent return on common equity. Applicant's equity ratio fluctuates from year to year depending upon the type of financing currently utilized. The witness testified that it is necessary to have the security issues of sufficient size to be favorably received and to keep financing costs low, and that as a consequence, from time to time, the capital structure may vary from the desired objective. His figures show a 32.7 percent equity ratio in 1962, increasing to 36.5 percent in 1963, and then decreasing to 31.8 percent in 1964 when $12,000,000 in senior debt financing is planned. He stated his understanding that applicant plans to increase the equity ratio following 1964.

A Commission staff financial witness presented a report on cost of money and rate of return as of October 31, 1963, Exhibit 9. His study included a comparison of Sierra Pacific's earnings with 10 electric utilities and 10 combination utilities over the 5-year period 1958 to 1962. In each case Sierra Pacific's earnings on average capitalization and earnings on average common stock equity were higher than the averages of either group of utilities. Applicant's return on common stock equity, however, has shown a general decline in recent years, the return of 10.24 percent in 1962 being the lowest for the past 10-year period, and his estimate for 1963 of 10.04 percent being even lower.

In Table 9 of Exhibit 9, the staff witness showed the development of allocation of capital and dollar requirements for the California operation for the year 1963 based on average capital as of October 31, 1963 and reflecting the staff's allocation method whereby the California net utility plant for 1963 represents 12.85 percent of total net utility plant. In this development, using a return on equity of 12 percent, which he considered to be reasonable, he arrived at a 6.92 percent cost of capital and a dollar requirement of $568,325. He testified that he made some allowance for 1964 financing by including in cost of capital $2,565,250 in bank loans at the effective rate of the most recent debt issue. He stated, however, that if he were using a 1964 rate base he would have used capitalization figures as of the end of the year 1963. Utilizing the estimated capitalization for the end of the year 1963 from Exhibit 2 and applicant's allocation of 14.09 percent of net utility plant to California, we would arrive at a cost of capital of 7.01 percent and a dollar requirement of $712,700 for the test year 1964.

After giving full consideration to applicant's cost of capital and to its heavy requirements for financing new production plant, we find that the level of earnings to be produced under the proposed rates (as hereinafter modified) with federal income tax of 48 percent, and with gross revenues of $2,924,700, net operating income of $706,900 and a rate of return of 6.76 percent on California operations for the test year 1964, is fair and reasonable.

Rate Proposals

At present there are three basic rate zones in applicant's California service area; they are as follows:

1. Truckee-Portola: all of applicant's California service area north of the southern Nevada County line. This includes Summit, Donner Lake, Loyalton, Portola and adjacent territory.

2. Lake Tahoe: that portion of applicant's California service area located in El Dorado and Placer Counties. This includes Squaw Valley, Tahoe City and Brockway on the north side of Lake Tahoe and the entire California service area on the western and southern side of the lake and adjacent territory.

3. Mono County: that portion of applicant's California service area located in Alpine County (Markleeville) and Mono County (Antelope Valley).

The present rates are basically the same in the Truckee-Portola and Mono County rate zones. The Lake Tahoe zone rate level, however, is higher than in the other rate zones, as it was established on the basis of seasonal usage and characteristics.

The proposed rate structure would eliminate the existing rate zone differentials and provide for the same uniform rates throughout applicant's California service area as are now in effect in Nevada. The principal features of the proposed schedules are described below.

All residential customers would be served under the schedule for Domestic Service, D-1, in which the monthly minimum charge would be increased from the present $1.00 to $1.50, and the arrangement of the kilowatt hour blocks would be modified. The separately metered water heating Schedule H-1 now available only in the Truckee-Portola and Mono County areas would be extended to the Lake Tahoe area. This schedule, which is available to both domestic and commercial customers, would be at a slightly higher level than present, for consumptions over 300 kilowatt hours per month.

Commercial and industrial customers would have the option of several general service schedules. The smaller customers would be billed on Schedule A-1, General Service, which is a connected load type of schedule. The larger customers would be billed on either Schedule A-2, General Service, which is a demand metered type of schedule, or on Schedule A-3, General Service, a demand metered type of schedule carrying a minimum charge of $2,300 per month.

Under the proposal applicant would also offer for the first time a tariff for agricultural service, Schedule PA.

No changes are proposed in the schedules for resale service or for street lighting.

Increases and decreases under the proposed tariffs would vary with consumption. The effects on the different classes of service as presented by applicant are summarized in the following tabulation:

Classification	Applicant's Proposed Percentage Revenue Increases		
	Truckee-Portola	Lake Tahoe	Mono County
Domestic	13.8%	(6.4)%	12.0%
Domestic - Water Heating	2.4	*	3.0
Commercial - Water Heating	6.1	*	1.2
General Service - Small	12.3	7.2	17.1
General Service - Large	3.8	4.5	**

(Red Figure)
* Indeterminate, no schedule presently available.
** No customer under this classification.

In support of its rate proposal applicant presented Exhibit 5, a supplement to the report on results of operation for the California Electric Department. This exhibit traced the history of the various rates applicable in the California operations and presented customer distribution usage and other statistics for all California customers by rate zones. These statistics show that the California load is concentrated in the Lake Tahoe division, where for the estimated year 1964 there will be 11,956 customers served from 235 miles of distribution line with a resulting density of 51 customers per pole line mile. This may be compared with the Truckee-Portola division which will have 2,056 customers with a density of 16 customers per pole line mile and with the Mono County division which will have 449 customers with a density of 6 customers per pole line mile.

Under present tariffs applicant does not assess a charge for establishment or re-establishment of service. The proposal would establish a charge of $5 which would be applicable any time a service is connected or reconnected. As support for this charge applicant's witness presented Exhibit 6 which was an analysis of the cost of electric service connections based on a 10-month period ending October 31, 1963. This analysis showed that during the 10-month period of analysis the total cost of making 32,417 electric service connections on the entire system was $197,943, an average of

$6.11 per connection. The increased revenue from this proposed charge in California is estimated to be $22,400 in 1964.

The staff witness, in his presentation, pointed out that Sierra Pacific is the only major private utility in California now requiring a separate meter for residential electric water heating. He testified that this practice results in increased plant costs and operating expenses for the utility as well as increased installation costs to the customer. To rectify this condition he recommended that applicant's schedule for domestic service be modified so as to incorporate a water heating block of 450 kilowatt hours at the same level of rates as would be applicable under the separately metered water heating tariff. This schedule would be available at a customer's option if he did not desire to provide separate wiring for his water heating usage.

The staff also recommended certain specific revisions in the special conditions in Schedules A-1, A-2, A-3, DE and PA.

In addition to the proposed changes in rate schedules applicant's proposal includes a complete revision of the remainder of its tariff schedules including Title Page, Preliminary Statement, Description of Service Area, Rules, and Sample Forms. These proposals are all contained in Appendix F attached to the application, as modified by Exhibit 1, entitled Revised Rules. All of these revisions are directed at modernizing the tariffs so as to bring them in line with the practices of other utilities in California.

In regard to the effect the proposed tariffs would have upon operations of the two customers who presented opposing testimony, the record shows that the Clements Rock Products, Inc. would have its billing increased by about 3.8 percent. The other customer, Feather River Lumber Company, which, from time to time, supplies a portion of its load from its own generation, protested principally the provision of a contract under the proposed tariffs which would require a customer to take all of his electric requirements from the utility. Such a provision is common in contracts of this type. If, because of special circumstances in a given case, some modification is necessary or desirable, the matter may be presented by an appropriate filing. The evidence suggests that the questioned provision may well be unreasonable as applied to this particular customer and that the customer and Sierra Pacific may be able to work out a mutually agreeable modification for later presentation to the Commission.

Rates Authorized

Rates as proposed by applicant will be authorized except that the domestic schedule will be modified so as to incorporate the water heating block recommended by the staff, and the increase proposed for the smaller general service customers on Schedule A-1 will be reduced by approximately the amount made available by the lower Federal income tax rate. The staff recommendations will also be adopted for the specific revisions in regard to special conditions in Schedules A-1, A-2, A-3, DE and PA. The rate changes as authorized herein may be summarized as follows:

AUTHORIZED RATE CHANGES YEAR 1964

Classification	Revenue: Present Rates	Revenue: Authorized Rates	Increase: Amount	Increase: Percent
Residential	$1,381,000	$1,270,300	$(110,700)	(8.0)%
Commercial & Industrial	1,396,200	1,473,700	77,500	5.6
Power-Agriculture	2,800	2,600	(200)	(7.1)
Resale	117,000	117,000	-	
Street Lighting	30,700	30,700	-	
Other Sales to Public Authorities	200	200	-	
Other Electric Revenue	8,700	30,200	21,500	247.1
Total	2,936,600	2,924,700	(11,900)	(0.4)

(Red Figure)

Allocation Procedures

At present Sierra Pacific's annual reports to the Commission include sections in which California operations are separated from the remainder of the system on the basis of geographical location of utility plant. The staff recommended that in the future applicant be required to file annually a summary of its California operations based on allocation of plant and expenses reflecting use of these facilities by California and Nevada customers. We feel that such a procedure would have merit in that it would present meaningful cost data to the Commission and could facilitate the preparation and presentation of uniform cost allocation data before the respective state Commissions. We shall direct applicant to confer with our staff and, if desired by the Public Service Commission of Nevada, with representatives from its staff, with the objective of adopting allocation procedures which will be mutually acceptable.

Findings

Based on the evidence of record we find that applicant's request to revise its rates and rules for electric service in California is reasonable subject to the incorporation therein of the revisions which have been adopted.

We also find that the increases in rates and charges authorized herein are justified, that the rates and charges authorized herein are reasonable, and that the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

We conclude that the application should be granted to the extent set forth in the ensuing order, and that Case No. 7811 should be dismissed.

O R D E R

IT IS ORDERED that:

1. Applicant, Sierra Pacific Power Company, is authorized and directed to file with this Commission, after the effective date of this order and in conformity with General Order No. 96-A, the schedules of rates attached to this order as Appendix A and, upon not less than five days' notice to the Commission and to the public, to make such rates effective for service rendered on and after October 1, 1964.

2. Coincident with the filing of rates authorized under ordering paragraph 1, applicant is authorized to file in conformity with General Order No. 96-A revised rules, standard forms, and other tariff sheets as set forth in Appendix F, attached to the application, as amended by Exhibit 1.

3. Applicant is directed to make a study in cooperation with the staff of this Commission (and with staff members of the Public Service Commission of Nevada if the Nevada Commission desires), with the objective of developing mutually acceptable procedures for allocating plant and expenses between applicant's Nevada and California operations.

4. Coincident with the filing of its 1964 annual report with this Commission applicant shall file therewith and annually thereafter a report of its electric operations in California in which plant and expenses are separated between California and Nevada on the basis of allocation procedures developed in compliance with ordering paragraph 3.

5. Investigation under Case No. 7811 hereby is discontinued.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 11th day of AUGUST 1, 1964.

Frederick B. Holoboff
President

Peter E. Mitchell

George G. Grover

Commissioners

I dissent. In my opinion, the rate of return is excessive.
Everett C. McKeage
Commissioner

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

Schedule No. A-1 (N)

GENERAL SERVICE (T)

APPLICABILITY

This schedule is applicable to all single and three-phase alternating current service including power and lighting. (C)

TERRITORY

Entire territory served in the State of California. (T)

RATES

			Per Meter Per Month	
Energy Charge:				(N)
First	13	kwhr, or less	$ 1.50	(I)
Next	37	kwhr, per kwhr	4.00¢	(R)
Next	200	kwhr, per kwhr	3.20¢	(I)
Next	500	kwhr, per kwhr	3.00¢	(I)
Next	1,750	kwhr, per kwhr	2.50¢	(I)
All Excess		kwhr, per kwhr	2.00¢	

Minimum Charge:

The minimum charge for service hereunder shall be $1.50 per month plus $0.50 per kilowatt of total connected load other than lighting in excess of two kilowatts. For the purposes hereof a horsepower will be considered as equivalent to a kilowatt. (I)

SPECIAL CONDITIONS

Voltage: Service on this schedule will be supplied at the secondary voltage available. Where polyphase power is to be combined with single phase, a four-wire service will be supplied, either 120/240 volt or 120/208 volt, whichever is available; provided, however, that where a customer has made application for such a four-wire service but the Utility is not in position to supply the same at that location economically, then, temporarily until the Utility is ready, a single phase and a polyphase service will be supplied and metered separately, the meter readings being combined for the purpose of computing charges on this schedule. (N)

Schedule No. A-2 (N)

GENERAL SERVICE (T)

APPLICABILITY

This schedule is applicable to all single and three-phase alternating current service including power and lighting provided that all single-phase or three-phase service hereunder be taken at one point of delivery. (C) (C)

TERRITORY

Entire service territory. (T)

RATES

		Per Meter Per Month	
Demand Charge:			(N) (N)
First	50 kw or less of billing demand	$ 115.00	(R)
All Excess	kw of billing demand, per kw	2.30	(R)

Energy Charge (to be added to demand charge):

First	3000 kwhr, per kwhr	1.70¢	(I)
Next	3000 kwhr, per kwhr	1.50¢	
Next	3000 kwhr, per kwhr	1.30¢	
Next	3000 kwhr, per kwhr	1.05¢	(I)
All Excess	kwhr, per kwhr	0.80¢	

Minimum Charge:

The monthly minimum charge shall be the monthly demand charge. (C)

SPECIAL CONDITIONS

1. Voltage: Service on this schedule will be supplied at one standard voltage. Service may be supplied under this schedule at 120/208 volts four-wire wye or at 277/480 volts four-wire wye, provided: (1) written application is made for such service by the Customer; (2) the Customer's load is of such size as to require an individual transformer installation of not less than 150 kva of transformer capacity for 120/208 volt service or not less than 300 kva of transformer capacity for 277/480 volt service; and (3) the Customer provides space acceptable to the Utility on his premises to accommodate the installation of the Utility's facilities. The foregoing conditions do not apply where the Utility maintains four-wire wye connected polyphase mains. (C) (C)

2. Billing Demand: The billing demand hereunder for any billing period shall be the greater of the current period's measured demand; or fifty percent (50%) of the highest billing demand established by the Customer during the preceding eleven months; or fifty kilowatts (50 kw). (T) (T)

(Continued)

Schedule No. A-2 (N)

GENERAL SERVICE (T)

SPECIAL CONDITIONS (Continued)

3. Maximum Demand Measurement: The demand for any billing shall be defined as the maximum measured fifteen minute average kilowatt load in the billing period. In instances, however, where the use of energy by a Customer is intermittent and subject to violent fluctuations, a shorter time interval may be used and the demand determined from special measurements. (T)

At the Utility's option, a thermal type of demand meter which does not reset after a definite time interval may be used for demand measurements. (N)

4. Primary Metering: Whenever for the convenience of the Utility service is metered hereunder at the available primary distribution voltage, the demand charge and energy charge of the rate above shall be reduced by two and one-half percent (2-1/2%). (C)

5. Power Factor: The Utility may, at its option, measure the average power factor of any Customer load served hereunder. Whenever the billing demand of such Customer in any month exceeds four hundred kilowatts (400 kw), the demand charge and energy charge of the rate above shall be decreased or increased, respectively, fifteen-hundredths of one percent (0.15%) for each one percent (1%) that the average power factor of such Customer's load during such month is more than or less than eighty percent (80%) lagging. The average power factor shall be computed (to the nearest whole percent) from the ratio of total lagging reactive kilovolt-ampere-hours to total kilowatt-hours. (C)

6. Contracts: A contract will be required for service hereunder for a minimum term of not less than one year. (N)

Schedule No. A-3 (N)

GENERAL SERVICE

APPLICABILITY

This schedule is applicable to all polyphase alternating current service including power and lighting provided that all polyphase service hereunder be taken at one point of delivery.

TERRITORY

Entire service territory.

RATES

Demand Charge:

		Per Meter Per Month
First	1,000 kw or less of billing demand	$2,300.00
All Excess	kw of billing demand, per kw	2.00

Energy Charge (to be added to Demand Charge):

First	150 kwhr used per kw of billing demand per kwhr..	0.9¢
Next	150 kwhr used per kw of billing demand per kwhr..	0.8¢
Next	150 kwhr used per kw of billing demand per kwhr..	0.7¢
All Excess	kwhr used per kw of billing demand per kwhr..	0.6¢

Minimum Charge:

The monthly minimum charge shall be the monthly demand charge.

SPECIAL CONDITIONS

1. Voltage: Service on this schedule will be supplied at one standard voltage. Service may be supplied under this schedule at 120/208 volts four-wire wye, 277/480 volts four-wire wye, or, if for the convenience of the Utility, service hereunder may be supplied at the primary voltage available as set forth in Rule No. 2, provided: (1) written application is made for such service by the Customer; (2) the Customer's load is of such size as to economically justify an individual transformer installation; and (3) the Customer provides space acceptable to the Utility on his premises to accommodate the installation of the Utility's facilities. The foregoing conditions do not apply where the Utility maintains four-wire wye-connected polyphase mains.

2. Billing Demand: The billing demand hereunder for any billing period shall be the greater of the current period's measured demand; or (N)

(Continued)

Schedule No. A-3 (N)

GENERAL SERVICE

SPECIAL CONDITIONS (Continued)

2. (Cont'd)

fifty percent (50%) of the highest billing demand established by the Customer during the preceding eleven months; or fifty percent (50%) of the contract demand; or one thousand kilowatts (1,000 kw).

3. Maximum Demand Measurement: The demand for any billing shall be defined as the maximum measured fifteen minute average kilowatt load in the billing period. In instances, however, where the use of energy by a Customer is intermittent and subject to violent fluctuations, a shorter time interval may be used and the demand determined from special measurements.

At the Utility's option, a thermal type of demand meter which does not reset after a definite time interval may be used for demand measurements.

4. Primary Service: Whenever for the convenience of the Utility service is supplied by Utility hereunder at the primary voltage available, the demand charge and energy charge of the rate above shall be reduced by two and one-half percent (2-1/2%).

5. Primary Metering: Whenever for the convenience of the Utility service is metered hereunder at the available primary distribution voltage, the demand charge and energy charge of the rate above shall be reduced by two and one-half percent (2-1/2%).

6. Power Factor: The Utility may, at its option, measure the average power factor of any Customer load served hereunder. Whenever the billing demand of such Customer in any month exceeds four hundred kilowatts (400 kw), the demand charge and energy charge of the rate above shall be decreased or increased, respectively, fifteen-hundredths of one percent (0.15%) for each one percent (1%) that the average power factor of such Customer's load during such month is more than or less than eighty percent (80%) lagging. The average power factor shall be computed (to the nearest whole percent) from the ratio of total lagging reactive kilovolt-ampere-hours to total kilowatt-hours.

7. Contracts: A contract will be required as a condition of service hereunder for a minimum term of not less than three years. (N)

Schedule No. D-1 (N)

DOMESTIC SERVICE (T)

APPLICABILITY

This schedule is applicable to domestic lighting, heating, cooking and single phase domestic power service in single family dwellings and in flats and apartments separately metered by the Utility. (C)

TERRITORY

Entire service territory. (C)

RATES

(A) DOMESTIC SERVICE

Energy Charge:

			Per Meter Per Month	
First	13	kwhr, or less	$ 1.50	(I)
Next	37	kwhr, per kwhr	4.00¢	(R)
Next	50	kwhr, per kwhr	3.50¢	(I)
Next	200	kwhr, per kwhr	3.00¢	(I)
Next	200	kwhr, per kwhr	2.00¢	
All Excess		kwhr, per kwhr	1.75¢	(R)

Minimum Charge: The Minimum Charge for service hereunder shall be $1.50 per month. (I)

(B) COMBINATION DOMESTIC SERVICE: Domestic service in combination with an electric water heater installation in accordance with the Special Conditions below. (N)

Energy Charge:

			Per Meter Per Month
First	13	kwhr, or less	$ 1.50
Next	37	kwhr, per kwhr	4.00¢
Next	50	kwhr, per kwhr	3.50¢
Next	100	kwhr, per kwhr	3.00¢
Next	300	kwhr, per kwhr	1.50¢
Next	150	kwhr, per kwhr	1.10¢
All Excess		kwhr, per kwhr	1.75¢

Minimum Charge: The Minimum Charge for service hereunder shall be $1.50 per month. (N)

Schedule No. D-1

DOMESTIC SERVICE
(Continued)

SPECIAL CONDITIONS

1. Rate (B) is available only to customers with permanently installed electric water heaters used exclusively for regular water heating. (N)

2. The customer with electric water heating may elect to receive service either (a) under Rate (A) of this schedule for domestic service, in conjunction with Schedule H-1 for water heating using a separate meter or (b) under Rate (B) of this schedule.

3. Utility, at its option, may install current limiting devices on water heaters which will restrict the use of energy hereunder during the hours between 4:00 PM and 9:00 PM, or such other hours as Utility may specify from time to time. (N)

Schedule No. DE (T)

DOMESTIC SERVICE TO COMPANY EMPLOYEES (T)

APPLICABILITY

Electricity for domestic and water heating purposes is available, upon application, under this schedule to regular and pensioned employees of the Company, (married or unmarried) provided they reside in their own home (single family dwelling, separately-metered flat or apartment) and are supplied directly by the Company.

TERRITORY

Entire service territory. (T)

RATES

The regular filed rate schedules applicable to domestic service in the territory where service is supplied, less 50% discount. (T) (T)

Minimum Charge:

$1.00 per month.

SPECIAL CONDITIONS (L)

1. This rate applies to employees living with, and constituting the support of, a mother and/or father or other relatives.

2. The service must be billed to and paid by the employee.

3. A regular employee is defined, for the purpose of this schedule, as one who has been continuously employed by the Company for more than six months and is paid on a weekly or monthly basis.

4. This schedule is not applicable to probationary, casual or temporary employees. (L)

Schedule No. H-1 (N)

WATER HEATING SERVICE (T)

APPLICABILITY

This schedule is applicable to any domestic or commercial Customer for separately metered service for water heating purposes only. (T)

TERRITORY

Entire service territory. (C)

RATES

		Per Meter Per Month	
Energy Charge:			(N) (N)
First	300 kwhr, per kwhr	1.50¢	
All Excess	kwhr, per kwhr	1.10¢	(I)

Minimum Charge:

The minimum charge for service hereunder shall be $1.50 per month provided, however, that no minimum charge hereunder shall apply if Customer is purchasing service under one of the Utility's other rate schedules at this location. (C)

SPECIAL CONDITIONS

Utility, at its option, may install current limiting devices which will restrict the use of energy hereunder during the hours between 4:00 PM and 9:00 PM, or such other hours as Utility may specify from time to time. (T)

Schedule No. PA (N)

POWER-AGRICULTURE SERVICE

APPLICABILITY

This schedule is applicable to agricultural power service for the purpoce of irrigation and stock water pumping.

TERRITORY

Entire service territory.

RATES

Energy Charge:

			Per Meter Per Month
First	13	kwhr, or less	$ 1.50
Next	87	kwhr, per kwhr	4.00¢
Next	150	kwhr, per kwhr	3.50¢
Next	250	kwhr, per kwhr	3.00¢
Next	4,500	kwhr, per kwhr	1.60¢
Next	5,000	kwhr, per kwhr	1.35¢
Next	20,000	kwhr, per kwhr	1.20¢
All Excess		kwhr, per kwhr	1.10¢

Minimum Charge:

The minimum charge for service hereunder shall be $1.50 per month and $5.00 annually per horsepower of connected load.

SPECIAL CONDITIONS

1. Voltage: Service on this schedule will be supplied at one standard power voltage.

2. Energy Restriction: Utility, at its option, may limit the use of energy hereunder to the hours other than 6:00 PM to 11:00 PM daily or such other hours as Utility may specify from time to time, but, in any event, service hereunder shall be available for not less than eighteen hours daily.

3. Contracts: A contract for a period of one year will be required for service under this schedule and will remain in effect from year to year thereafter unless cancelled. When service is first rendered under this schedule, the contract year and billing basis shall commence with the first regular meter reading date after the date service is begun. (N)