

Decision No. 82022

**ORIGINAL**

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 electric )  
service tariff to include a pur- )  
chased power adjustment provision )  
and a provision for adjustment )  
arising from changes of a prescribed )  
magnitude in the total cost of fuel )  
and/or purchased power; or in the )  
alternative for authority to revise )  
its electric service tariff to )  
offset the increased cost of pur- )  
chased electric power. )

Application No. 54102  
(Filed June 12, 1973)

O P I N I O N

By this application Sierra Pacific Power Company (Sierra Pacific) seeks authority to include in its electric tariffs a purchased power adjustment provision, as well as a provision which permits under certain conditions cost of purchased power and fuel adjustments at more frequent intervals than three months, and to do so through a modification and expansion of its existing fuel adjustment clause. In the alternative, should its proposed purchased power adjustment provision not be authorized, Sierra Pacific requests authority to increase its rates for electric service by 0.17 cents per kilowatt-hour (kwh) to offset an increase in its cost of purchased wholesale power.

Sierra Pacific is engaged in the business of wholesale power purchasing, manufacturing, transmitting, and selling electric energy to customers in California and Nevada and is also engaged in public utility gas and water operations in Nevada. Sierra Pacific provides electric service to 23,348 California customers in the counties of Alpine, El Dorado, Mono, Nevada, Placer, Plumas, and Sierra, and in the municipal corporations of South

Lake Tahoe, Portola, and Loyalton. It purchases approximately 25 percent of its power supply from Pacific Gas and Electric Company (PG&E) and relies on natural gas purchased from Southwest Gas Corporation for 99 percent of its fossil fuel requirement for electric generation.

Sierra Pacific's present fuel adjustment clause was filed pursuant to Decision No. 81355 dated May 8, 1973 in Applications Nos. 53813 and 53814. Under the proposal before us Sierra Pacific would add a purchased power component to this clause, which will offset fluctuations in the cost of purchased power in a manner similar to that now authorized for changes in the price of fuel. The existing fuel adjustment provision and the proposed purchased power provision would operate independently but cumulatively. Under the latter a cent per kwh adjustment is also developed. It either increases or decreases depending upon whether the cost of purchased power in effect at any time subsequent to the establishment of the base rate increases above or decreases below the cost of purchased power included in the determination of such base rate.

In addition Sierra Pacific seeks a further modification of its existing fuel adjustment provision in order to offset a significant change in the cost of fuel and/or purchased power for which Sierra Pacific would not otherwise be authorized to make adjustment except at three-month intervals. This modification will permit Sierra Pacific to offset price increases or decreases promptly, without having to wait for the expiration of a three-month period, when such increases or decreases produce a change in the adjustment per kwh of at least one hundredth of a cent. A similar provision has been found to be fair and reasonable by this Commission for other utilities such as PG&E and San Diego Gas & Electric Company.

The Commission staff has reviewed and analyzed this application and has prepared a report thereon dated August 15, 1973.

The staff report hereby is received as Exhibit 1. The staff concurs in principle with these tariff proposals by Sierra Pacific but recommends certain changes in the wording of the provisions and a change limiting the fuel component of any adjustments at less than three-month intervals to gas fuel. By letter dated August 17, 1973 to the Commission, Sierra Pacific has indicated that it does not oppose the modifications recommended by the staff. The purchased power and fuel adjustment tariff provisions containing the modifications recommended by the staff are set forth in Appendix A to this decision.

Findings

1. In Decision No. 80865 issued December 19, 1972 the Commission authorized Sierra Pacific to increase its rates for intrastate electric service by \$397,000 and found that a rate of return of eight percent on the adopted rate base for the test year 1972 was reasonable. In Decision No. 81355 issued May 8, 1973 the Commission authorized Sierra Pacific to increase its rates for electric service to offset an increase in the cost of purchased power and to include a fuel adjustment clause in its electric tariffs.

2.a. A need exists to expand and otherwise modify the existing fuel adjustment clause.

b. Sierra Pacific's proposed fuel and purchased power adjustment clause as modified by the staff will be adopted because in an inflationary period with rapid increases in the cost of fuel and of purchased power, an expedited method is required to permit a utility to recover these costs so that its ability to function is not impaired.

3. The adopted fuel and purchase power clause prescribed in Appendix A hereto will not occasion an abdication of regulatory responsibility; nor will it decrease the incentive of Sierra Pacific to keep costs down; nor will it be inflationary as any

price increases brought about by use of the purchased power and fuel clause merely reflect the effect of past inflation on the cost of fuel or purchased power.

4. Notice of the filing of this application was served and published in accordance with Rule 24 of the Commission's Rules of Practice and Procedure. No protests or other responses were received. A public hearing is not necessary.

5. Decision No. 81355 requires that Sierra Pacific file reports covering the reasonableness of the prices it pays for fossil fuels and the recorded, adjusted, and estimated results of operations for its California jurisdictional operations. No changes in this requirement are included herein.

The Commission concludes that the application should be granted to the extent set forth in the order as follows.

O R D E R

IT IS ORDERED that Sierra Pacific Power Company is authorized to file with this Commission, on or after the effective date of this order, revised tariff schedules with changes in rates, charges, and conditions as set forth in

A. 54102 AP

Appendix A attached hereto. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be five days after the date of filing.

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

Dated at San Francisco, California, this  
24th day of OCTOBER, 1973.

Yuan L. Stevens  
resident  
William J. Lyons  
J. M. Williams  
Paul J. [unclear]  
Ed [unclear]  
Commissioners

APPENDIX A  
Page 1 of 3

RATES - SIERRA PACIFIC POWER COMPANY, ELECTRIC DEPARTMENT

Applicant's electric rates, charges and conditions are changed to the level or extent set forth in this appendix.

SCHEDULES NOS. D-1, E-1, A-1, A-2, A-3, PA, S-4, LS-5 and OL-1

Add the words "and purchased power" to all schedules wherever "fuel adjustment" is mentioned so as to read "fuel and purchased power adjustment."

PRELIMINARY STATEMENT

Revise the Preliminary Statement, Paragraph 6, subparagraphs A through E as follows:

6. FUEL AND PURCHASED POWER ADJUSTMENT CLAUSE

- A. The monthly charges for service otherwise applicable under each of Utility's rate schedules shall be increased or decreased by an adjustment amount in accordance (1) with increases or decreases in the average cost of fuels per kilowatt-hour generated in Utility's interconnected system above or below five and twenty-six hundredths (5.26) mills (hereinafter referred to as "base fuel costs") and/or (2) with increases or decreases in the cost of purchased firm power above or below that in effect on April 28, 1973 (hereinafter referred to as "base power costs").
- B. The adjustment per kilowatt-hour shall be computed as follows using the operating results of a twelve-month period preceding the filing date by one calendar month (hereinafter referred to as the "operating period"):
  - (1) Fuel Adjustment
    - (a) The total therms of natural gas consumed for electric power generation during the operating period shall be multiplied by the rate in effect on or before the anticipated effective date of the adjustment.
    - (b) The total therms of each type of oil fuel consumed for electric power generation by Utility during the operating period shall be multiplied by the average cost of oil fuel of each type burned during the last month of such operating period. The cost of oil fuel shall include the cost of transportation to Utility's generating plants plus any taxes applicable thereto.

APPENDIX A  
Page 2 of 3

RATES - SIERRA PACIFIC POWER COMPANY, ELECTRIC DEPARTMENT

PRELIMINARY STATEMENT (Continued)

(1) Fuel Adjustment (Continued)

- (c) The total kilowatt-hours generated by the fuel in (a) and (b) above shall be multiplied by the base fuel costs.
- (d) The remainder obtained by subtracting the amount calculated in (c) above from the sum of the amounts calculated in (a) and (b) above shall represent the increase or decrease in fuel costs during the operating period.

(2) Purchased Power Adjustment

- (a) The total purchases by Utility of firm power and associated energy during the operating period under each of its purchase contracts shall be multiplied by the rate required to be paid on the anticipated effective date of the adjustment.
- (b) The total purchases by Utility of firm power and associated energy during the operating period under each of its purchase contracts shall be multiplied by their respective base power costs.
- (c) The remainder obtained by subtracting the amounts calculated in (b) above from those of (a) above shall represent the increase or decrease in purchased power costs during the operating period.

(3) Adjustment Per Kilowatt-hour

The sum of the amounts obtained in (1)(d) and (2)(c) above shall be divided by the total kilowatt-hours sold during the operating period and the quotient so obtained rounded to the nearest hundredth of a mill (\$.00001) shall be the adjustment per kilowatt-hour.

APPENDIX A  
Page 3 of 3

RATES - SIERRA PACIFIC POWER COMPANY, ELECTRIC DEPARTMENT

PRELIMINARY STATEMENT (Continued)

- C. Each adjustment per kilowatt-hour shall be filed with the Commission for approval on or before the first day of the month preceding the billing month during which such adjustment per kilowatt-hour is intended to become effective. The adjustment per kilowatt-hour shall be used in computing bills for meter readings on the effective date and thereafter until the next such adjustment becomes effective. Such adjustment shall not be revised more often than once every three months. If, however, a change or changes in the price of gas fuel and/or purchased power occurs during any such three-month period which in and of itself or themselves would produce a change in the adjustment per kilowatt-hour of at least one hundredth of a cent (0.01¢). Utility shall file a revised interim adjustment per kilowatt-hour in accordance with the provisions of paragraph B above and such filing shall not be considered in determining the three-month period.
- D. The adjustment amount to be added or subtracted from each bill shall be the product of the total kilowatt-hours for which the bill is rendered, multiplied by the adjustment per kilowatt-hour of B.(3) above, except that for the purposes of applying the fuel and purchased power adjustment, the monthly consumptions per lamp rating contained in Special Condition 4 of Schedule No. S-4; Special Condition 5 of Schedule No. IS-5; and Special Condition 11 of Schedule No. OL-1 will be used.
- E. Any refund from a fuel or power supplier of monies collected hereunder after January 13, 1973, shall be promptly refunded, together with any associated interest, to Utility's California customers. A refund plan shall be filed with the Commission when such portion of the refunds allocatable to California customers has accumulated to a total of \$10,000 or more. In the event such monies are not refunded to California customers within 30 days after receipt, the utility shall refund such monies with 7 percent interest.