Mailed

APR 13 1988

ALJ/WRS/vdl

Decision 88 04 016 APR 13 1988

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 implement its Energy Cost Adjustment Clause (ECAC).	Application 87-09-028 (Filed September 21, 1987)
In the Matter of the Application of Sierra Pacific Power Company for authority to implement its Electric Revenue Adjustment Mechanism (ERAM).	Application 87-09-029 (Filed September 21, 1987)

James D. Salo, Attorney at Law, for Sierra Pacific Power Company, applicant.
Robert Cagen, Attorney at Law, for the Division of Ratepayer Advocates.

OPINION

Summary

This order approves the stipulation reached between the Division of Ratepayer Advocates (DRA) and Sierra Pacific Power Company (Sierra) covering all forecast issues except the band width or null zone for the steam power plant thermal performance standard (performance standard) which applies to Sierra's large gas/oil-fired power plants. The stipulation results in estimated net revenue increases for calendar year 1988 of $2.32 million in the Energy Cost Adjustment Clause (ECAC) rates, $44,000 in the Annual Energy Rate (AER), and $155,000 in the Electric Revenue Adjustment Mechanism (ERAM), for a total net revenue increase of $2.53 million or 7.6% when compared to present rates.

Sierra's operations during the review period are found reasonable.

DRA's recommendation for a 3% band width is adopted for the performance standard. The request by Sierra for the Commission to grant confidential status under General Order (GO) 66-C to the coal purchase contract terms between Sierra and Southern Utah Fuel Company (SUFCO) is denied.

Filing

Sierra filed Application (A.) 87-09-028 on September 21, 1987. This is the annual energy offset filing consisting of two major parts: setting rates for the calendar year 1988 forecast period and reviewing the reasonableness of operations for the review period of July 1, 1986 through June 30, 1987. The application requests authority to increase the ECAC Billing Factor rates for a net revenue increase in the 1988 forecast period (January 1 through December 31, 1988) of approximately $2,933,000 from present rate revenues. Sierra also requests authority to increase its AER by $.00035/kWh resulting in a net revenue increase for the 1988 forecast period of approximately $153,000 from present rate revenues (the ECAC/AER ratio for Sierra is 78%/22%). Sierra also requests that the Commission find that its operations were reasonable during the review period.

Sierra filed A.87-09-029 on the same date requesting authority to increase its ERAM rate by $.00020/kWh, resulting in a net revenue increase for the 1988 forecast period of approximately $89,000.

The current Sierra ECAC, AER, and ERAM levels were authorized by Decision (D.) 87-06-009 in A.86-09-005, Sierra's last annual energy offset filing. That decision also ordered Sierra to:

1. Develop new heat rate tests and power plant performance standards.
2. Keep staff informed of and to make reasonable efforts to bring the Washoe hydroelectric power plant on line.
3. Keep staff informed of major changes in coal purchases and projections.

A.87-09-028 and A.87-09-029 were consolidated for hearing purposes. Hearings were held in San Francisco on November 16, 18, 19, and 20, 1987 before Administrative Law Judge (ALJ) Stalder. The consolidated matter was submitted on November 20, 1987 pending receipt of briefs and late-filed Exhibit 16, all of which were received by December 11, 1987.

<u>Reasonableness Review</u>

DRA reviewed Sierra's operations for the record period, found that it had operated reasonably, and made no recommendations for disallowance.

<u>Stipulation</u>

A stipulation between DRA and Sierra was received into evidence on November 18, 1987. The stipulation is a result of negotiation and compromise between Sierra and DRA and covers all areas of controversy dealing with the forecast except for the band width for the performance standard. Band width is an allowable null zone for the performance standard. The stipulation requires full adoption by the Commission in order for it to be valid.

Following is a list of the main items of the stipulation, including an indication of how the stipulated amount compares to DRA and/or Sierra's recommendation prior to the stipulation:

1. The forecast price for Utah Power and Light economy energy is the mid-point between the Sierra and DRA forecasts.

2. The forecast price for other economy energy is the DRA forecast.

3. The final resource mix, revenue requirements, and resulting rate design are to be determined by the final system dispatch model run, submitted in a joint late-filed exhibit by Sierra and DRA, using Sierra's PROMOD III model for convenience. The rate design uses the System Average Percentage Change method; all rates increase except residential baseline which decreases slightly, since baseline rates

must be offered at 85% of system average rates.

4. Allowable inventory levels use a mid-point between the Sierra and DRA recommendation for diesel oil inventory and DRA recommended level for residual oil inventory.

5. The forecast price for SUFCO coal uses a mid-point between the Sierra and DRA forecast for the first six months and DRA's forecast for the last six months.

6. Qualifying facilities (QF) on-line dates, capacity factors, and generation use DRA's forecast.

7. Pass through of the benefits of coal price billing credits uses Sierra's recommended method.

8. The ERAM revenue requirement uses Sierra's recommendation.

9. Sierra is to report to DRA on the following, based on DRA's stated needs.

   a. Natural gas matters specified in the data request are to be reported quarterly.

   b. The status of the Washoe hydroelectric facilities reconstruction is to be reported quarterly.

   c. A report on the rising heat rates during the last three years at the Valmy plant is to be presented in the next reasonableness report.

   d. Statistical information on the Valmy plant is to be reported to enable DRA to determine the reasonableness of Valmy usage.

10. Sierra agrees to implement a memorandum account procedure acceptable to DRA for fixed fuel oil inventory.

Other provisions of the stipulation include statements that the stipulation shall not bind either party in the future or indicate preference regarding models, and the stipulation is entered as a whole which cannot be partially rejected or modified. If that occurs, either party may withdraw the stipulation.

DRA project manager Barnhardt testified to the stipulation. DRA believes that the Sierra ratepayers would likely be worse off without the stipulation, based on DRA's experience in prior ECAC and ERAM proceedings. DRA indicated that it exercised limited flexibility in negotiation on issues it felt were important, but greater flexibility on less crucial issues. Sierra stated in its brief that it does not agree with the rationale or justification for the DRA position, but accepted the stipulation in the spirit of compromise to resolve the contested issues as expeditiously as possible.

Tables 1, 2, and 3 following illustrate the differences between DRA, Sierra, and the stipulated amounts on the forecast items in ECAC and AER.

SIERRA PACIFIC POWER COMPANY
COMPARISON OF DRA, UTILITY & STIPULATED
REVENUE REQUIREMENT *
1988
($000)

TABLE 1

	DRA	UTILITY	DIFFERENCE	STIPULATED
ECAC	$7,472	$8,008	($536)	$7,583
AER	2,461	2,587	($126)	2,489
TOTAL	$9,933	$10,595	($662)	$10,072

* COMPARISON REFLECTS DRA CALIFORNIA MWH SALES ESTIMATE. 408,763

TABLE 2

SIERRA PACIFIC POWER COMPANY
COMPARISON OF DRA, UTILITY & STIPULATED
CALCULATION OF ECAC RATE
1988
($000)

LINE NO.		DRA	UTILITY	STIPULATED
1	FUEL & PURCHASED POWER COSTS			
2				
3	FUEL COSTS			
4	DIESEL OIL	$49	$48	$48
5	RESIDUAL OIL/NATURAL GAS	13,995	15,310	11,651
6	NATURAL GAS STANDBY CHARGE	1,617	1,632	1,632
7	COAL/DIESEL	39,151	40,087	39,578
8				
9	TOTAL FUEL COSTS	54,812	57,077	52,909
10				
11	PURCHASED POWER COSTS			
12	PG&E	238	240	240
13	UP&L	20,574	21,182	20,839
14	IPC	2,427	2,448	2,448
15	ECONOMY	20,965	23,804	23,864
16	COGENERATION & GEOTHERMAL	17,178	18,241	17,327
17				
18	TOTAL PURCHASED POWER COSTS	61,382	65,915	64,718
19				
20	TOTAL FUEL & PURCHASED POWER COSTS	116,194	122,992	117,627
21				
22	FRANCHISE & UNCOLLECTIBLES (F&U)			
23	(LINE 20 x 1.41%)	1,638	1,734	1,659
24				
25	TOTAL FUEL AND PURCHASED POWER COSTS			
26	REVENUE REQUIREMENT	117,832	124,726	119,286
27				
28	AMOUNT RECOVERED THROUGH ECAC (78% x LN 26)	91,909	97,286	93,043
29				
30	FUEL OIL INVENTORY REVENUE REQUIREMENT			
31	(TABLE 3, LINE 22)	199	234	201
32				
33	AMOUNT RECOVERED THROUGH ECAC (78% x LN 31)	155	183	157
34				
35	TOTAL ENERGY RELATED COSTS RECOVERABLE			
36	THROUGH ECAC (LINE 28 + LINE 33)	$92,064	$97,469	$93,200
37				
38	TOTAL SYSTEM MWH SALES	4,313,446	4,342,455	4,313,446
39				
40	ECAC OFFSET RATE (MILLS)	21.34	22.45	21.61
41				
42	BALANCING RATE (MILLS)	(3.06)	(2.86)	(3.06)
43				
44	ECAC BILLING FACTOR (MILLS)	18.28	19.59	18.55

SIERRA PACIFIC POWER COMPANY
COMPARISON OF DRA, UTILITY & STIPULATED
CALCULATION OF AER
1988
($000)

TABLE 3

LINE NO.		DRA	UTILITY	STIPULATED
1	FUEL OIL INVENTORY BILLING FACTOR			
2				
3	AVERAGE INVENTORY LEVEL (BBLS)-DIESEL	3,857	6,079	4,968
4	RESIDUAL	190,130	193,668	190,130
5				
6	AVERAGE COST - DIESEL	$23.76	$26.23	$23.88
7	RESIDUAL	$15.18	$17.08	$15.18
8				
9	INVENTORY VALUE - DIESEL	$92	$159	$119
10	RESIDUAL	$2,886	$3,308	$2,886
11				
12	TOTAL	$2,978	$3,467	$3,005
13				
14	FORECASTED BANKERS ACCEPTANCES RATE	6.59%	6.66%	6.59%
15				
16	CARRYING COST OF FUEL OIL INVENTORY			
17	(LINE 12 x LINE 14)	$196	$231	$198
18				
19	FRANCHISE & UNCOLLECTIBLES (F&U)	3	3	3
20	(LINE 17 x 1.41%)			
21				
22	TOTAL FUEL OIL REVENUE REQUIREMENT	$199	$234	$201
23				
24	AMOUNT RECOVERABLE THROUGH AER (22% x LINE 22)	44	51	44
25				
26	TOTAL FUEL AND PURCHASED POWER COSTS			
27	REVENUE REQUIREMENT (TABLE 2, LINE 26)	$117,832	$124,726	$119,286
28				
29	AMOUNT RECOVERABLE THROUGH AER (22% x LINE 27)	25,923	27,440	26,243
30				
31	TOTAL ENERGY RELATED COSTS RECOVERABLE			
32	THROUGH AER (LINE 24 + LINE 29)	$25,967	$27,491	$26,287
33				
34	TOTAL SYSTEM MWH SALES	4,313,446	4,342,455	4,313,446
35				
36	ANNUAL ENERGY RATE (MILLS)	6.02	6.33	6.09

The 1988 revenue requirement increases based on the stipulation are:

ECAC	$2,320,000
AER	44,000
ERAM	165,000
Total	2,529,000 or 7.6% over present rates.

The resulting rates compared to present rates are shown in Table 4 below.

SIERRA PA[illegible] POWER COMPANY
CALCULATION PRESENT AND PROPOSED REVENUES
(1000)

LN NO.		ADOPTED RATES IN D.86-12-057							FORECAST MWH	PRESENT RATE REVENUE					
		BASE	CFA	ERAM	AER	OFFSET	BALNCNG	TOTAL	SALES	BASE (1)	CFA	ERAM	AER	ECAC	TOTAL
1	RESIDENTIAL - BASELINE	0.05861	0.00000	0.00256	0.00598	0.00773	(0.00775)	0.06713	88,587	$6,020	$0	$227	$530	($12)	$6,775
2	NON-PERM	0.05861	0.00000	0.00256	0.00598	0.02132	(0.00775)	0.08072	19,118	1,121	0	49	114	259	1,543
3	TIER TWO	0.05861	0.00000	0.00256	0.00598	0.02965	(0.00775)	0.08905	110,542	6,479	0	283	661	2,421	9,844
5	RESIDENTIAL AVERAGE/TOTAL					0.02002			218,247	13,620	0	559	1,305	2,678	18,162
6	A-1	0.06139	0.00000	0.00256	0.00598	0.02058	(0.00775)	0.08276	83,672	5,316	0	214	500	1,074	7,104
7	A-2	0.03819	0.00000	0.00256	0.00598	0.02186	(0.00775)	0.06084	43,236	2,427	0	111	259	610	3,407
8	A-3 ON-PEAK	0.02546	0.00000	0.00256	0.00598	0.03044	(0.00775)	0.05669	17,741	1,712	0	45	106	403	2,266
9	MID-PEAK	0.02546	0.00000	0.00256	0.00598	0.02448	(0.00775)	0.05073	15,235	388	0	39	91	255	773
10	OFF-PEAK	0.02546	0.00000	0.00256	0.00598	0.01553	(0.00775)	0.04178	29,361	748	0	75	176	228	1,227
12	A-3 AVERAGE/TOTAL					0.02196			62,337	2,848	0	159	373	886	4,266
13	SL/OL	0.05924	0.00000	0.00256	0.00598	0.02204	(0.00775)	0.08207	1,271	75	0	3	8	18	104
15	SUBTOTAL									24,286	0	1,046	2,445	5,266	33,043
16	SL/OL FACILITIES	0.150061								191	0	0	0	0	191
18	AVERAGE/TOTAL		0.00000	0.00256	0.00598	0.02120	(0.00775)		408,763	$24,477	$0	$1,046	$2,445	$5,266	$33,234

LN NO.		PROPOSED ENERGY RATES							FORECAST MWH	PROPOSED RATE REVENUE					
		BASE	CFA	ERAM	AER	OFFSET	BALNCNG	TOTAL	SALES	BASE (1)	CFA	ERAM	AER	ECAC	TOTAL
28	RESIDENTIAL - BASELINE	0.05861	0.00000	0.00296	0.00609	0.00041	(0.00306)	0.06501	88,587	$6,020	$0	$262	$539	($235)	$6,586
29	NON-PERM	0.05861	0.00000	0.00296	0.00609	0.02288	(0.00306)	0.08748	19,118	1,121	0	57	116	379	1,673
30	TIER TWO	0.05861	0.00000	0.00296	0.00609	0.03755	(0.00306)	0.10215	110,542	6,479	0	327	673	3,813	11,292
32	RESIDENTIAL AVERAGE/TOTAL					0.02119			218,247	13,620	0	646	1,328	3,957	19,551
33	A-1	0.06139	0.00000	0.00296	0.00609	0.02187	(0.00306)	0.08925	83,672	5,316	0	248	510	1,574	7,648
34	A-2	0.03819	0.00000	0.00296	0.00609	0.02269	(0.00306)	0.06687	43,236	2,427	0	128	263	849	3,667
35	A-3 ON-PEAK	0.02546	0.00000	0.00296	0.00609	0.03140	(0.00306)	0.06285	17,741	1,712	0	53	108	503	2,376
36	MID-PEAK	0.02546	0.00000	0.00296	0.00609	0.02480	(0.00306)	0.05625	15,235	388	0	45	93	331	857
37	OFF-PEAK	0.02546	0.00000	0.00296	0.00609	0.01487	(0.00306)	0.04632	29,361	748	0	87	179	347	1,361
39	A-3 AVERAGE/TOTAL					0.02200			62,337	2,848	0	185	380	1,181	4,594
40	SL/OL	0.05924	0.00000	0.00296	0.00609	0.02289	(0.00306)	0.08812	1,271	75	0	4	8	25	112
42	SUBTOTAL									24,286	0	1,211	2,489	7,586	35,372
43	SL/OL FACILITIES	0.150061								191	0	0	0	0	191
45	AVERAGE/TOTAL		0.00000	0.00296	0.00609	0.02161	(0.00306)		408,763	$24,477	$0	$1,211	$2,489	$7,586	$35,763

49 (1) BASE REVENUE INCLUDES DEMAND AND CUSTOMER CHARGES AT THE LEVELS SHOWN OF TABLE 3.2, PAGE 5 OF 5.

There was the opportunity for other parties to cross-examine DRA and Sierra witnesses on the stipulation, and the opportunity to brief the issue. There were no other appearances in the consolidated proceeding, and there is no indication of opposition to the stipulation. Our review of the stipulation shows that it appears to be a reasonable compromise between the parties. We find that the stipulation is not adverse to the interests of the ratepayers of Sierra, and we will approve it in this order.

Steam Power Plant Thermal
<u>Performance Standard Band Width</u>

The performance standard is based on the theoretical efficiencies of each of the relevant power plants, operating under the actual loading conditions experienced during the record period and aggregated into an annual systemwide value. The performance standard applies to the large gas/oil-fired power plants, i.e., Fort Churchill Units 1 and 2 and Tracy Unit 3. Tracy Units 1 and 2 are not currently included because of low utilization of the units and lack of updated performance standards. Staff recommends that these units be included if in the future they together supply 5% or more of the total gas/oil-generated energy of Sierra. A band width is applied to the performance standard to allow a level of variation deemed reasonable due to inherent inaccuracy of measurement and/or unusual or uncontrollable conditions. The result is that if Sierra's operation of these power plants is within the allowed band width, there would be a rebuttable presumption of reasonableness of operations for those power plants. If Sierra's operation is outside the band width, there would be a rebuttable presumption of unreasonableness.

Both Sierra and DRA agree that the performance standard is an appropriate means of determining reasonableness of the large gas/oil power plants, but they disagree on the proper band width.

Sierra recommends a 5% band width, based primarily on the inaccuracy of measurement associated with heat rate measurement. Sierra estimates that the uncertainty is approximately 5% plus or minus.

DRA recommends a band width of 3%. That recommendation is based on the calculated value of three previous years' mean deviation plus one standard deviation, which equates to 2.81% or 3% rounded. DRA points out that its recommendation is consistent with the Commission's D.86-01-030 in Pacific Gas and Electric Company's ECAC filing, which states: "We believe that PG&E should have no difficulty in at least maintaining the level of deviation achieved in the most recent past." DRA believes that the proposed 3% band width would similarly give Sierra no difficulty, since Sierra's most recent three years' annual percentage deviations were 1.35%, 2.52%, and 1.58% for the 1984-85, 1985-86, and 1986-87 record periods, respectively.

Sierra seems to be overly concerned about accuracy of measurement. Since the performance standard would be an annual average of all the relevant power plants, it is extremely unlikely that the inaccuracies would be cumulatively adverse to Sierra. We believe that over time the inaccuracies would tend to cancel each other out, rather than being heavily biased either for or against Sierra. The recent three years' historical data bear this out. If the 3% band width had been in effect during the last three years, then Sierra's operation of the relevant power plants would have been within the band width and presumed reasonable. We conclude that DRA's recommendation is reasonable and will adopt it in this order.

<u>Confidentiality</u>

Sierra requested that Chapter 8 of DRA's Reasonableness and Forecast Report be separately identified and maintained confidential until the Commission rules on the request by Sierra that the pricing provisions of its long-term contract with SUFCO be protected as confidential under GO 66-C. DRA opposes the request.

Sierra alleges that public disclosure of provisions and terms of the Coal Sales Agreement dated May 16, 1978 between SUFCO, a division of Coastal States Energy Company (Coastal), and Sierra will place Coastal at a competitive disadvantage and constitute a real, present danger to the viability of Coastal's coal mining operations. A letter was submitted by Coastal requesting confidentiality of portions of the contract dealing with pricing calculations and price reopeners. The letter was identified for the record but since Coastal did not present a witness to testify, it was not received in evidence in this proceeding.

During the hearings a portion of Chapter 8 of DRA Exhibit 8 was separately identified as Exhibit 9 - Confidential, and kept confidential pending resolution of this issue. Due to the nature of the arguments on the issue, DRA and Sierra requested and the ALJ ordered that the parties address this issue in briefs.

In its brief Sierra argues that GO 66-C is intended to keep confidential this type of pricing information. Sierra also narrowed down and made more specific the portion of Exhibit 9 it requests be kept confidential. They are the sections dealing with renegotiation of the SUFCO contract, and pricing due to billing components aside from the base price of coal. The components include depletion adjustment, taxes, and hauling and rail transportation. Sierra alleges that disclosure of pricing information will bring about a competitive disadvantage for SUFCO and a direct competitive disadvantage for Sierra since future suppliers would fear that disclosure of beneficial pricing arrangements with Sierra would cause other purchasers of SUFCO coal to demand similar treatment.

DRA argues that Commission ratemaking is an open process, which is necessary in order for public scrutiny of fuel costs, and for the utility to meet its burden of proof on reasonableness of operations.

DRA argues that GO 66-C is not intended to protect and keep confidential pricing information of this type unless there is a demonstration of imminent and direct harm of major consequence, not just an allegation that there may be harm. DRA cites D.86-02-026 where the Commission stated: "PacBell must understand that in balancing the public interest of having an open and credible regulatory process against its desires not to have data it deems proprietary disclosed, we give far more weight to having a fully open regulatory process." DRA argues that Sierra has not alleged that it would be harmed by disclosure of the material, rather only that SUFCO would be harmed.

We believe that it is desirable to have as open a process as is practical consistent with balancing the need for confidentiality. Confidentiality of contract terms severely handicaps the ability of parties to evaluate the resulting reasonableness of the utility's operations. It is important for the utility to fully meet its burden demonstrating the reasonableness of operations in this type of case.

We have no evidence that Sierra has beneficial contract terms as compared to other SUFCO customers. It appears that SUFCO would be the most likely benefactor of contract confidentiality, since the customers including Sierra would not have the ability to compare their contract with contracts of the other customers of SUFCO.

The Commission intends to continue the policy of openness as enunciated in the Pacific Bell decision and will expect the utility to fully meet its burden of proving that the material is in fact confidential and that the public interest in an open process is outweighed by the need to keep the material confidential. Granting confidentiality to the contract terms requested by Sierra would unduly restrict scrutiny of the reasonableness of fuel costs and operations. We conclude that Sierra has not adequately demonstrated that any harm to it would occur; therefore, we will deny the request for confidentiality in this order. We believe that Sierra's ratepayers are best served and protected by open disclosure of contract terms.

<u>Comments</u>

Comments on the proposed decision were filed by DRA and Sierra.

DRA provided no substantive comments, stating that it believes the proposed decision to be correct. However, DRA pointed out that its recommendation concerning potential future heat rate adjustments was not specifically addressed. We feel that this issue is too speculative to deal with at this time, and that it can be routinely addressed in subsequent ECAC filings if necessary.

Sierra provided comments on three areas:

1. New tables to replace those in the proposed decision.
2. The unreasonableness of the band width adopted for the performance standard.
3. The unreasonableness of the denial of confidentiality of pricing and related provisions in the long-term coal contract with SUFCO.

The comments dealing with the latter two areas offer nothing new but merely reargue what has been fully litigated in the hearing and briefs.

The three tables offered by Sierra are an improvement over Tables 1 and 2 of the proposed decision since they also include the stipulated amounts. We have adopted the Sierra Tables 1, 2, and 3 to replace Tables 1 and 2. Table 3 of the proposed decision is now Table 4. The accompanying text has been revised as appropriate to incorporate the new tables.

Findings of Fact

1. Sierra filed its annual energy offset filing A.87-09-029 on September 21, 1987 requesting authority to increase 1988 calendar year ECAC revenues by an estimated $2,933,000 and AER revenues by an estimated $153,000.

2. Sierra filed A.87-09-029 on September 21, 1987 requesting authority to increase 1988 calendar year ERAM revenues by an estimated $89,000.

3. A.87-09-028 and A.87-09-020 were consolidated for hearing purposes.

4. DRA found Sierra's operations during the review period to be reasonable.

5. DRA and Sierra reached agreement on a stipulation covering all forecast issues in the consolidated proceeding except for the band width to be used for the performance standard.

6. The stipulation requires adoption by the Commission in order for it to be valid.

7. The 1988 calendar year revenue requirement increases resulting from the stipulation are estimated at $2,320,000 for ECAC, $44,000 for AER, and $165,000 for ERAM.

8. No parties indicated opposition to the stipulation.

9. DRA and Sierra agree that a band width or null zone around the performance standard is appropriate, but disagree on the proper level of band width.

10. DRA recommends a 3% band width based on the three most recent years' historical operating data of Sierra.

11. Sierra recommends a 5% band width based on the accuracy of the heat rate measuring equipment used.

12. Sierra requested that the pricing provisions of its long-term coal contract with SUFCO be kept confidential under GO 66-C.

13. DRA opposed the request for confidentiality of the SUFCO contract terms.

<u>Conclusions of Law</u>

1. Sierra operated reasonably during the review period of July 1, 1986 through June 30, 1987.

2. The stipulation proposed by DRA and Sierra is not adverse to Sierra's ratepayers and should be approved.

3. The performance standard with a 3% band width is reasonable for Sierra's large gas/oil-fired steam power plants.

4. It is not appropriate to keep the pricing provisions of the long-term coal contract between Sierra and SUFCO confidential under GO 66-C.

5. The rates resulting from the stipulation are just and reasonable.

6. Sierra should be ordered to file tariffs for rates in accordance with the stipulation.

<u>O R D E R</u>

IT IS ORDERED that:

1. The stipulation between Division of Ratepayer Advocates and Sierra Pacific Power Company (Sierra) is approved.

2. Sierra's request to keep the pricing provisions of the long-term coal contract between Sierra and Southern Utah Fuel Company confidential is denied.

3. Within 7 days after the effective date of this order, Sierra is ordered to file tariffs in accordance with the stipulation for rates to be effective 10 days after filing.

This order is effective today.

Dated APR 13 1988, at San Francisco, California.

STANLEY W. HULETT
President
FREDERICK R. DUDA
C. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

Commissioner Donald Vial, being necessarily absent, did not participate.

I CERTIFY THAT THIS DECISION WAS APPROVED BY THE ABOVE COMMISSIONERS TODAY.

Victor Weisser, Executive Director

Other provisions of the stipulation include statements that the stipulation shall not bind either party in the future or indicate preference regarding models, and the stipulation is entered as a whole which cannot be partially rejected or modified. If that occurs, either party may withdraw the stipulation.

DRA project manager Barnhardt testified to the stipulation. DRA believes that the Sierra ratepayers would likely be worse off without the stipulation, based on DRA's experience in prior ECAC and ERAM proceedings. DRA indicated that it exercised limited flexibility in negotiation on issues it felt were important, but greater flexibility on less crucial issues. Sierra stated in its brief that it does not agree with the rationale or justification for the DRA position, but accepted the stipulation in the spirit of compromise to resolve the contested issues as expeditiously as possible.

Tables 1 and 2 following illustrate the differences between DRA and Sierra on the forecast items prior to the stipulation.

Table 1
DIVISION OF RATEPAYER ADVOCATES
ENERGY COST ADJUSTMENT CLAUSE
DIFFERENCE IN DRA AND UTILITY ESTIMATES
($000)

LINE NO.		DRA	UTILITY	DIFF	%	LINE NO.
1	1986 FUEL AND PURCHASED POWER COSTS					1
2						2
3	FUEL COSTS					3
4	DIESEL OIL	$49	$48	1	1.1%	4
5	RESIDUAL OIL/NATURAL GAS	13,995	15,310	(1,315)	-9.4%	5
6	NATURAL GAS STANDBY CHARGE	1,617	1,632	(15)	-1.0%	6
7	COAL/DIESEL	39,151	40,087	(936)	-2.4%	7
8						8
9	TOTAL FUEL COSTS	54,811	57,077	(2,266)	-4.1%	9
10						10
11	PURCHASED POWER COSTS					11
12	PACIFIC GAS & ELECTRIC	238	240	(2)	-1.0%	12
13	UTAH POWER & LIGHT	20,574	21,182	(608)	-3.0%	13
14	IDAHO POWER COMPANY	2,427	2,448	(21)	-0.9%	14
15	ECONOMY	20,965	23,804	(2,839)	-13.5%	15
16	COGENERATION & GEOTHERMAL	17,178	18,241	(1,063)	-6.2%	16
17						17
18	TOTAL PURCHASED POWER COSTS	61,381	65,915	(4,534)	-7.4%	18
19						19
20	TOTAL FUEL AND PURCHASED POWER COSTS	116,192	122,992	(6,800)	-5.9%	20
21						21
22	FRANCHISE & UNCOLLECTIBLES (F&U)	0.0141	0.0141	0.0000	0.0%	22
23	EXPENSE FACTOR X LINE 20	1,638	1,734	(96)	-5.9%	23
24						24
25	TOTAL FUEL AND PURCHASED POWER COSTS					25
26	REVENUE REQUIRMENT	117,830	124,726	(6,896)	-5.9%	26
27						27
28	AMOUNT RECOVERED THROUGH ECAC	78.00%	78.00%	0.00%	0.0%	28
29	(% OF LINE 26)	91,908	97,286	(5,379)	-5.9%	29
30						30
31						31
32	FUEL OIL INVENTORY/REQUIRMENT	199	234	(35)	-17.7%	32
33	from AER Table, line 23					33
34	AMOUNT RECOVERED THROUGH ECAC	78.00%	78.00%	0.00%	0.0%	34
35	(% OF LINE 32)	155	183	(27)	-17.7%	35
36						36
37	TOTAL ENERGY COSTS RECOVERABLE					37
38	THROUGH ECAC (LINE 29 + 35)	92,063	97,469	(5,406)	-5.9%	38
39						39
40	ECAC OFFSET RATE (MILLS) LINE 38	4,313,446	4,342,455	(29,009)	-0.7%	40
41	DIVIDED BY TOTAL SYSTEM SALES	21.34	22.45	(1.10)	-5.2%	41
42						42
43	BALANCING RATE (MILLS/KWh)	(3.06)	(2.86)	(0.20)	6.6%	43
44						44
45	ECAC BILLING FACTOR (MILLS/KWh)	18.28	19.58	(1.31)	-7.1%	45
46	CALIFORNIA PORTION	$7,471.9	$8,573.6	(1,102)	-14.7%	46

Table 2
DIVISION OF RATEPAYER ADVOCATES
ANNUAL ENERGY RATE
DIFFERENCE IN DRA AND UTILITY ESTIMATES
(000'S)

LINE NO.		DRA	UTILITY	DIFF	%	LINE NO.
1	FUEL OIL INVENTORY BILLING FACTOR					1
2						2
3	AVG. INVENTORY LEVEL(BBL'S)-DIESEL	3,857	6,079	(2,222)	-57.6%	3
4	RESIDUAL	190,130	193,668	(3,538)	-1.9%	4
5	AVERAGE COST - month,year - DIESEL	$23.76	$26.23	($2)	-10.4%	5
6	RESIDUAL	$15.18	17.08	(2)	-12.5%	6
7	INVENTORY VALUE - DIESEL	$92	$159	($68)	-74.0%	7
8	RESIDUAL	2,886	3,308	(422)	-14.6%	8
9	TOTAL (COL 1 & 2 OF LINE 7)	$2,978	$3,467	($489)	-16.4%	9
10						10
11	BANKER'S ACCEPTANCE RATE	6.59%	6.66%	-0.07%	-1.1%	11
12						12
13	CARRYING COST OF FUEL OIL					13
14	INVENTORY	$196	$231	($35)	-17.7%	14
15						15
16						16
17						17
18						18
19						19
20	FRANCHISE AND UNCOLLECTIBLE	0.0141	0.0141	0	0.0%	20
21	EXPENSE (F&U) FACTOR X LINE 18	$3	$3	($0)	-17.7%	21
22						22
23	TOTAL FUEL OIL REVENUE REQUIRMENT	$199	$234	($35)	-17.7%	23
24						24
25	AMOUNT RECOVERABLE THROUGH AER	22.00%	22.00%	0	0.0%	25
26	(% OF LINE 23)	$44	$52	($8)	-17.7%	26
27						27
28	TOTAL FUEL AND PURCHASED POWER COST					28
29	REVENUE REQUIRMENT from ECAC TABLE	$117,830	$124,726	($6,896)	-5.9%	29
30						30
31	AMOUNT RECOVERABLE THROUGH AER	22.00%	22.00%	0	0.0%	31
32	(% OF LINE 29)	$25,923	$27,440	($1,517)	-5.9%	32
33						33
34	TOTAL ENERGY COSTS RECOVERABLE					34
35	THROUGH AER (LINE 26 + 32)	$25,966	$27,491	($1,525)	-5.9%	35
36						36
37	TOTAL SYSTEM MWH SALES	4,313,446	4,342,455	(29,009)	-0.7%	37
38						38
39	ANNUAL ENERGY RATE (MILLS/KWh)	6.02	6.33	(0.31)	-5.2%	39
40	CALIFORNIA PORTION	$2,460.7	$2,771.5	(311)	-12.6%	40

The 1988 revenue requirement increases based on the stipulation are:

ECAC	$2,320,000
AER	44,000
ERAM	165,000
Total	2,529,000 or 7.6% over present rates.

The resulting rates compared to present rates are shown in Table 3 below.

Table 3

SIERRA PACIFIC POWER COMPANY
CALCULATION PRESENT AND PROPOSED REVENUES
($000)

	ADOPTED RATES IN D.86-12-057							FORECAST MWH SALES	PRESENT RATE REVENUE					
	BASE	CFA	ERAM	AER	OFFSET	BALNCNG	TOTAL		BASE (1)	CFA	ERAM	AER	ECAC	TOTAL
RESIDENTIAL - BASELINE	0.05861	0.00000	0.00256	0.00598	0.00773	(0.00775)	0.06713	88,587	$6,020	$0	$227	$530	($2)	$6,775
NON-PERM	0.05861	0.00000	0.00256	0.00598	0.02132	(0.00775)	0.08072	19,118	1,121	0	49	114	259	1,543
TIER TWO	0.05861	0.00000	0.00256	0.00598	0.02965	(0.00775)	0.08905	110,542	6,479	0	283	661	2,421	9,844
RESIDENTIAL AVERAGE/TOTAL					0.02002			218,247	13,620	0	559	1,305	2,678	18,162
A-1	0.06139	0.00000	0.00256	0.00598	0.02058	(0.00775)	0.08276	83,672	5,316	0	214	500	1,074	7,104
A-2	0.03819	0.00000	0.00256	0.00598	0.02186	(0.00775)	0.06084	43,236	2,427	0	111	259	610	3,407
A-3 ON-PEAK	0.02546	0.00000	0.00256	0.00598	0.03044	(0.00775)	0.05669	17,741	1,712	0	45	106	403	2,266
MID-PEAK	0.02546	0.00000	0.00256	0.00598	0.02418	(0.00775)	0.05073	15,235	388	0	39	91	255	773
OFF-PEAK	0.02546	0.00000	0.00256	0.00598	0.01553	(0.00775)	0.04178	29,361	748	0	75	176	228	1,227
A-3 AVERAGE/TOTAL					0.02196			62,337	2,848	0	159	373	886	4,266
SL/OL	0.05924	0.00000	0.00256	0.00598	0.02204	(0.00775)	0.08207	1,271	75	0	3	8	18	104
SUBTOTAL									24,286	0	1,046	2,445	5,266	33,043
SL/OL FACILITIES	0.150061								191	0	0	0	0	191
AVERAGE/TOTAL		0.00000	0.00256	0.00598	0.02120	(0.00775)		408,763	$24,477	$0	$1,046	$2,445	$5,266	$33,234

	PROPOSED ENERGY RATES							FORECAST MWH SALES	PROPOSED RATE REVENUE					
	BASE	CFA	ERAM	AER	OFFSET	BALNCNG	TOTAL		BASE (1)	CFA	ERAM	AER	ECAC	TOTAL
RESIDENTIAL - BASELINE	0.05861	0.00000	0.00296	0.00609	0.00041	(0.00306)	0.06501	88,587	$6,020	$0	$262	$539	($235)	$6,586
NON-PERM	0.05861	0.00000	0.00296	0.00609	0.02288	(0.00306)	0.08748	19,118	1,121	0	57	116	379	1,673
TIER TWO	0.05861	0.00000	0.00296	0.00609	0.03755	(0.00306)	0.10215	110,542	6,479	0	327	673	3,813	11,292
RESIDENTIAL AVERAGE/TOTAL					0.02119			218,247	13,620	0	646	1,328	3,957	19,551
A-1	0.06139	0.00000	0.00296	0.00609	0.02187	(0.00306)	0.08925	83,672	5,316	0	248	510	1,574	7,648
A-2	0.03919	0.00000	0.00296	0.00609	0.02269	(0.00306)	0.06687	43,236	2,427	0	128	263	849	3,667
A-3 ON-PEAK	0.02546	0.00000	0.00296	0.00609	0.03140	(0.00306)	0.06205	17,741	1,712	0	53	108	503	2,376
MID-PEAK	0.02546	0.00000	0.00296	0.00609	0.02480	(0.00306)	0.05625	15,235	388	0	45	93	331	857
OFF-PEAK	0.02546	0.00000	0.00296	0.00609	0.01487	(0.00306)	0.04632	29,361	748	0	87	179	347	1,361
A-3 AVERAGE/TOTAL					0.02200			62,337	2,848	0	185	380	1,181	4,594
SL/OL	0.05924	0.00000	0.00296	0.00609	0.02289	(0.00306)	0.08812	1,271	75	0	4	8	25	112
SUBTOTAL									24,286	0	1,211	2,489	7,586	35,572
SL/OL FACILITIES	0.150061								191	0	0	0	0	191
AVERAGE/TOTAL		0.00000	0.00296	0.00609	0.02161	(0.00306)		408,763	$24,477	$0	$1,211	$2,489	$7,586	$35,763

(1) BASE REVENUE INCLUDES DEMAND AND CUSTOMER CHARGES AT THE LEVELS SHOWN OF TABLE 3.2, PAGE 5 OF 5.

and operations. We conclude that Sierra has not adequately demonstrated that any harm to it would occur; therefore, we will deny the request for confidentiality in this order. We believe that Sierra's ratepayers are best served and protected by open disclosure of contract terms.

Findings of Fact

1. Sierra filed its annual energy offset filing A.87-09-029 on September 21, 1987 requesting authority to increase 1988 calendar year ECAC revenues by an estimated $2,933,000 and AER revenues by an estimated $153,000.

2. Sierra filed A.87-09-029 on September 21, 1987 requesting authority to increase 1988 calendar year ERAM revenues by an estimated $89,000.

3. A.87-09-028 and A.87-09-020 were consolidated for hearing purposes.

4. DRA found Sierra's operations during the review period to be reasonable.

5. DRA and Sierra reached agreement on a stipulation covering all forecast issues in the consolidated proceeding except for the band width to be used for the performance standard.

6. The stipulation requires adoption by the Commission in order for it to be valid.

7. The 1988 calendar year revenue requirement increases resulting from the stipulation are estimated at $2,320,000 for ECAC, $44,000 for AER, and $165,000 for ERAM.

8. No parties indicated opposition to the stipulation.

9. DRA and Sierra agree that a band width or null zone around the performance standard is appropriate, but disagree on the proper level of band width.

10. DRA recommends a 3% band width based on the three most recent years' historical operating data of Sierra.

11. Sierra recommends a 5% band width based on the accuracy of the heat rate measuring equipment used.

12. Sierra requested that the pricing provisions of its long-term coal contract with SUFCO be kept confidential under GO 66-C.

13. DRA opposed the request for confidentiality of the SUFCO contract terms.

Conclusions of Law

1. Sierra operated reasonably during the review period of July 1, 1986 through June 30, 1987.

2. The stipulation proposed by DRA and Sierra is not adverse to Sierra's ratepayers and should be approved.

3. The performance standard with a 3% band width is reasonable for Sierra's large gas/oil-fired steam power plants.

4. It is not appropriate to keep the pricing provisions of the long-term coal contract between Sierra and SUFCO confidential under GO 66-C.

5. The rates resulting from the stipulation are just and reasonable.

6. Sierra should be ordered to file tariffs for rates in accordance with the stipulation.

ORDER

IT IS ORDERED that:

1. The stipulation between Division of Ratepayer Advocates and Sierra Pacific Power Company (Sierra) is approved.

2. Sierra's request to keep the pricing provisions of the long-term coal contract between Sierra and Southern Utah Fuel Company confidential is denied.

3. Within 7 days after the effective date of this order, Sierra is ordered to file tariffs in accordance with the stipulation for rates to be effective 10 days after filing.

This order is effective today.

Dated _________________, at San Francisco, California.