

ORIGINAL

Decision 82 09 067 SEP 22 1982

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 82-08-09  
(Filed August 3, 1982)

James D. Salo, Attorney at Law, for Sierra Pacific Power Company, applicant.  
Freda Abbott, Attorney at Law, and Julian Ajello, for Commission staff.

O P I N I O N

Summary

Sierra Pacific Power Company (Sierra Pacific) is authorized to raise its Energy Cost Adjustment Clause (ECAC) Billing Factors (ECACBF) to produce an additional \$277,000 in revenues for the period October 1, 1982 through January 31, 1983.

The proper "current" price of purchased power is declared to be the price forecasted to prevail on the revision date.

Description of Utility

Sierra Pacific is incorporated under the laws of the State of Nevada and does business in the States of California and Nevada. In Nevada it supplies electric, gas, and water service in the Reno-Sparks area and electric service in the northern and central parts of

that State. Its Nevada service area extends from Elko in the east to the California border on the west. In California it supplies electric service in Plumas, Sierra, Nevada, Placer, El Dorado, Alpine, and Mono Counties. The utility's principal California operations are in the Lake Tahoe area, in the extreme eastern portions of Placer and El Dorado Counties.

In 1981, Sierra Pacific served an average of approximately 171,800 customers, of which 32,300 were located in California.

Nature of Proceeding

This application is one of the three that Sierra Pacific must file each year to comply with the ECAC procedures prescribed by Decision (D.) 92496, dated December 5, 1980, in Order Instituting Investigation (OII) 56. OII 56 examined the origin and operation of ECAC tariff provisions and established the procedures that are presently used by the Commission to fix ECAC rates. D.92496 is reported in full at 4 CPUC 2d 693 and reference is made to the reported decision for a description of the origin and the present operation of ECAC.

The three ECAC applications that must be filed each year by Sierra Pacific are for the purpose of adjusting its rates for electric service to match the rates to the cost of fuel and purchased power. The reasonableness of the cost of fuel and purchased power is examined in one of these proceedings and the other two are limited to:

- a. Estimated sales for the four-month test period;
- b. Estimated fuel and purchased power costs;
- c. Estimated balancing account balance at the beginning of the four-month test period;
- d. Balancing account amortization period; and
- e. Rate design.

The Commission considered the reasonableness of Sierra Pacific's energy-related expenses in the last ECAC proceeding, D.82-05-012 dated May 4, 1982, in Application (A.) 61119. This present proceeding will therefore be confined to the limited scope specified for the two remaining "other than reasonableness" proceedings of the annual cycle.

Amount of Increase Requested

In its application, Sierra Pacific alleged that the ECACBF granted in D.82-05-012 would result in an annual under-recovery of approximately \$386,000 based on estimated sales and energy costs for the four months commencing October 1, 1982. The under-recovery was a net of the estimated increase in fuel and purchased power of \$1,391,000 and a decrease in the balancing rate revenue requirement of \$1,005,000.

At the hearing Sierra Pacific lowered its estimated systemwide cost of residual fuel oil and natural gas for the month of January 1983 by \$406,907. This revised estimate had the effect of reducing the anticipated under-recovery for Sierra Pacific's California operations to \$339,000. Sierra Pacific's requested ECACBF, as revised at the hearing, and as granted by D.82-05-012 are shown in the following table:

<u>Class of Service</u>	<u>D.82-05-012 \$/kWh</u>	<u>Requested \$/kWh</u>	<u>Increase</u>	
			<u>\$/kWh</u>	<u>Percent</u>
Residential				
DS-1 Lifeline	.01555	.01658	.00103	6.62
D-1 & DM-1 Lifeline	.01728	.01842	.00114	6.60
In excess of Lifeline	.04771	.05068	.00297	6.23
In excess of 5,000 kWh	.06500	.06500	0	0
Nonresidential	.03753	.03984	.00231	6.16

Public Hearing

A hearing was held before Administrative Law Judge (ALJ) Boneysteele on August 24, 1982 in San Francisco. The matter was submitted subject to a late-filed exhibit by Sierra Pacific revising the tables in its original report to correspond to the changes made by its witnesses at the hearing. The late-filed exhibit was received on August 30. Sierra Pacific and the Commission staff each presented two witnesses. There was no other participation.

Forecasting Methodology

Sierra Pacific's fuel rates were forecasted using prices in effect on the October 1, 1982 revision date as required by D.92496. The Fuels and Operations Branch (FOB) of the Commission staff reviewed these prices and found them to be appropriate.

In contrast to its treatment of fuel costs, Sierra Pacific's estimated purchased power costs recognized increased prices that the utility expected would be imposed at varying months throughout the four-month forecast period. Sierra Pacific contended that this practice was allowed by D.92496, since Finding of Fact 18 of that decision mentioned fuel prices only and made no mention of prices of purchased power. The FOB disagreed with this interpretation of D.92496 and argued that purchased power prices should be those forecasted to prevail on the revision date.

Sierra Pacific proposed no change to the amortization period nor any significant change on the rate structure pattern.

Sierra Pacific's estimated unit fuel costs are as follows:

	<u>October</u>	<u>November</u>	<u>December</u>	<u>January</u>
Fuel	(\$/MMBtu)			
Gas	4.8400	4.8400	4.8400	4.8400
Coal	2.0527	2.0789	2.1055	2.1324
Diesel	8.2320	8.2980	8.3640	8.4310
Purchased Power	(¢/kWh)			
PG&E Firm	2.999	3.434	3.624	3.824
UP&L Firm	1.548	1.521	1.525	1.525
UP&L Economy	3.000	3.000	3.000	3.000
IPC Economy	3.170	3.170	3.170	3.170

The estimated unit costs of coal and diesel fuel tend to increase over the four-month test period because inventories contain coal and diesel fuel purchased at prices lower than the revision day prices. As this lower cost fuel is consumed and replaced by fuel at the October 1 prices, the unit costs increase.

Purchased power is sold simultaneously with its purchase so there is no inventory unit cost lag. The increasing Pacific Gas and Electric (PG&E) purchased power unit costs are those that Sierra Pacific anticipates will prevail as a result of price changes occurring monthly under PG&E's Federal Energy Regulatory Commission resale tariff.

Comparison of Results

The derivation of Sierra Pacific's and FOB's ECAC rates is as follows: ✓

	<u>Sierra Pacific</u>	<u>Staff</u>
Total Fuel & Purchased Power Costs (\$000)	\$ 58,369	\$ 57,827
98% Portion Recoverable in ECAC (\$999)	57,202	56,670
Sales for Forecast Period (MWh)	1,261,894	1,261,894
Fuel & Purchased Power Rate (Mills/kWh)	45.33	44.91
Balancing Rate (Mills/kWh)	<u>(5.82)</u>	<u>(5.82)</u>
Adjustment Rate (Mills/kWh)	39.51	39.09
.0083 Franchise & Uncollectibles Factor	<u>.33</u>	<u>.32</u>
ECAC Rate (Mills/kWh)	39.84	39.41

(Red Figure)

The following tabulation shows how Sierra Pacific's and FOB's ECACBF were determined:

	<u>Revenue (\$000)</u>	
	<u>Utility</u>	<u>Staff</u>
<u>Total Amount to be Recovered Based on Estimated Sales</u>		
Fuel & Purchased Power Costs 45.33 & 44.91 Mills x 1.0083 x 146,162 MWh	\$6,681	\$6,619
Balancing Account Recovery (5.82) Mills x 1.0083 x 146,162 MWh	<u>(858)</u>	<u>(858)</u>
Total	\$5,823	\$5,761

Recovery at Present ECAC Levels

	<u>Sales (MWh)</u>	<u>Present Rates Mills/kWh)</u>	
<u>Residential</u>			
DS-1 Lifeline	240	15.55	\$ 4
D-1 and DM-1 Lifeline	27,211	17.28	\$ 470
In Excess of Lifeline	52,658	47.71	2,512
In Excess of 5,000 kWh	689	65.00	45
Nonresidential	<u>65,364</u>	<u>37.53</u>	<u>2,453</u>
Total	146,162	37.53	\$5,484
<u>Differential</u>			
Percent Increase in ECAC Revenue		339	277
		6.18%	5.05%

	<u>Sales (MWh)</u>	<u>Proposed Rates (Mills)</u>			
		<u>Utility</u>	<u>FOB</u>		
<u>Residential</u>					
DS-1 Lifeline	240	16.58	16.29	4	4
D & DM Lifeline	27,211	18.42	18.10	501	493
In Excess of Lifeline	52,658	50.65	50.19	2,669	2,643
In Excess of 5,000 kWh	689	65.00	65.00	45	45
Nonresidential	<u>65,364</u>	<u>39.84</u>	<u>39.41</u>	<u>2,604</u>	<u>2,576</u>
Total	146,162	39.84	39.41	5,823	5,761

(Red Figure)

The spread between residential lifeline and excess of lifeline was calculated according to the formula adopted by the Commission in D.93771, dated November 13, 1981, in A.59894, Sierra Pacific's last rate case. The D.93771 guidelines specified that "excess of lifeline" rates be 1.5 times lifeline rates and that multifamily lifeline rates be 90% of lifeline.

The four-month forecasted fuel and purchased power costs used to determine the ECAC rates were calculated as shown below:

<u>Item</u>	<u>Energy Output (MWh)</u>	<u>Utility</u>	<u>Staff</u>	<u>Utility Exceeds Staff</u>	
				<u>Amount</u>	<u>%</u>
(Dollars in Thousands)					
<u>Fuel Cost</u>					
Residual Oil/ Natural Gas	317,425	\$16,937	\$16,937	\$ 0	0
Natural Gas Standby Charge	0	544	544	0	0
Coal	300,914	6,251	6,251	0	0
Gas Turbine	1	0	0	0	0
Diesel Oil	1	0	0	0	0
Total Fuel Costs	618,341	\$23,732	\$23,732	0	0
<u>Hydro</u>	16,968	0	0	0	0
<u>Purchased Power Costs</u>					
PG&E Demand	0	3,727	3,727	0	0
PG&E Energy	137,092	4,760	4,111	649	13.63
UP&L Demand	0	14,328	14,328	0	0
UP&L Energy	588,107	8,997	9,104	(107)	(1.19)
UP&L Economy	42,848	1,285	1,285	0	0
IPC Economy	48,565	1,540	1,540	0	0
Total Purchased Power	816,612	34,637	34,095	542	1.56
Total Fuel & Purchased Power Costs	1,451,921	58,369	57,827	542	0.93

(Red Figure)



The effect of the proposed ECACBF on typical customer bills is shown in the following table:

<u>Class of Service</u>	<u>Present Rates</u>	<u>Utility Proposed Rates</u>	<u>Staff Proposed Rates</u>	<u>Utility Proposed Increase</u>	<u>Staff Proposed Rate Increase</u>
(Rates Per Month)					
<u>Residential</u>					
(Rate Schedule D-1)					
500 kWh (Summer)	\$ 34.25	\$ 35.45	\$ 35.09	3.50%	2.45%
750 kWh (Summer)	54.20	56.24	55.66	3.76	2.69
1,000 kWh (Summer)	66.54	68.93	68.21	3.59	2.51
1,500 kWh (Summer)	106.45	110.50	109.35	3.80	2.72
2,000 kWh (Winter)	103.12	106.08	104.92	2.87	1.75
3,000 kWh (Winter)	182.92	189.22	187.20	3.44	2.34
<u>Commercial</u>					
(Rate Schedule A-1)					
1,000 kWh	75.37	78.00	77.25	3.49	2.48
2,000 kWh	147.24	152.50	151.00	3.57	2.54
3,000 kWh	219.11	227.00	224.75	3.60	2.56
<u>Commercial</u>					
(Rate Schedule A-2)					
45,000 kWh, 90 kW	2,780.35	2,898.7	2,864.9	4.26	3.04
55,000 kWh, 100 kW	3,338.65	3,483.30	3,442.05	4.33	3.10
65,000 kWh, 100 kW	3,842.95	4,013.90	3,965.15	4.45	3.18

#### Discussion of Issue

The only controverted issue in this proceeding is the method of estimating purchased power costs. Sierra Pacific forecasted purchased power price changes during the test period whereas staff forecasted October 1 prices only. The FOB did not challenge the results of Sierra Pacific's estimating method, only the method itself. A re-reading of D.92496 leads the Commission to

conclude that the FOB interpretation is the correct one. Although the decision does not specifically prescribe a pricing date for purchased power, the expressed purpose of the decision was "to provide for more timely, adequate relief, without sacrificing the integrity of the procedure." (4 CPUC 2d 693, 699.) To accomplish this purpose the Commission said:

"Mechanically, we intend that prices be estimated as of the revision date and that the fuel expense for the whole four months be calculated. This allows for recognition of inventory quantities of fuel, as well as the 'current' price. Estimates of fuel prices that turn out to be too high will not be a windfall to electric utilities, because the balancing account balance will ensure only dollar-for-dollar recovery occurs.

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"1 The average price of fuel oil expense shall be computed by estimating the average cost of oil in inventory at the end of each of the four months using the estimated price of replacement oil as of the revision date."

The Commission did not intend one type of "current" price for fuel and another for purchased power. Such a dichotomy would not lead to more timely relief. If it had intended such an inconsistency, the Commission would have said so. To the extent that D.92496 requires clarification, the Commission declares that the proper "current" price of purchased power is the price as of the revision date.

The Commission agrees that the FOB interpretation is the correct one and will find that the FOB ECACBF are reasonable.

#### Findings of Fact

1. Sierra Pacific is an electrical corporation operating under the jurisdiction of the Commission.
2. Sierra Pacific has requested authority to file revised rate schedules to increase its ECACBF as described in this opinion.
3. The price forecasted to prevail on the revision date is the proper "current" price upon which to base ECAC purchased power estimates.

4. The ECACBF recommended by the FOB are just and reasonable and should be adopted by the Commission.

5. This order should be made effective today so that the new rates may become effective on the scheduled October 1, 1982 ECAC revision date.

Conclusion of Law

Sierra Pacific should be permitted to change its rates to the extent set forth in the order which follows.

O R D E R

IT IS ORDERED that:

1. On or before September 27, 1982, Sierra Pacific Power Company is authorized to file with this Commission, in conformance with General Order 96-A, revised tariff schedules increasing its ECAC Billing Factors to:

Residential Service

DS-1 Lifeline	\$0.01629/kWh
D & DM Lifeline	0.01810
In Excess of Lifeline	0.05019
In Excess of 5,000 kWh	0.06500

Nonresidential

All Nonresidential	0.03941
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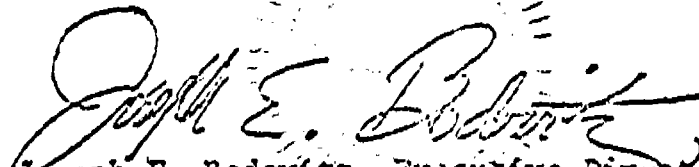
2. The revised tariff schedules shall become effective October 1, 1982.

This order is effective today.

Dated SEP 22 1982, at San Francisco, California.

JOHN E. BRYSON  
President  
RICHARD D. CRAVELLE  
LEONARD M. CRIMES, JR.  
VICTOR CALVO  
PRISCILLA C. GREW  
Commissioners

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

  
Joseph E. Bodovitz, Executive Director

Comparison of Results

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	<u>Sierra Pacific</u>	<u>Staff</u>
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