

ORIGINAL

Decision No. 88660 Apr. 4 1978

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SIERRA PACIFIC POWER COMPANY for
General Rate Relief and for Authority
to Increase Its Electric Rates and
Charges for Electric Service and to
Impose Certain Tariff Revisions.

Application No. 57076
(Filed February 15, 1977)

John Madariaga, Attorney at Law (Nevada), and
George M. Stout, Attorney at Law (Nevada),
for Sierra Pacific Power Company, applicant.
Jerome M. Garchik, Attorney at Law, for Inter-
national Brotherhood of Electrical Workers,
Local Union 1245, interested party.
Elinore C. Morgan, Attorney at Law, A. V. Garde
and K. K. Chew, for the Commission staff.

INTERIM OPINION

In Decision No. 88337 dated January 17, 1978 we authorized Sierra Pacific Power Company (Sierra) to increase electric rates for its California operations by \$2,095,000. In that decision we determined that since the company had not made an affirmative showing in the past (and in test year 1977) that it was carrying out vigorous and cost-effective energy conservation programs leading to a significant reduction in the growth of energy use per customer, we made a downward conservation adjustment of 0.15 percent in the adopted rate of return reducing the annual increase authorized to \$1,987,613. We ordered that all base rates for energy sold be adjusted by a factor of 0.985 until the company demonstrates to the satisfaction of the Commission that it has developed and implemented vigorous, imaginative, and cost-effective energy conservation programs.

At the public hearing held in July 1977 it was stipulated between Sierra and the staff that the issue of employee discounts and adequacy of Sierra's conservation program should be heard in Phase II and continued to a date to be set.

In Finding 10 of Decision No. 88337 we stated that the staff should determine the offset of the modifications of the ratemaking treatment of accelerated depreciation and investment tax credit resulting from Decision No. 87838 and to recommend in Phase II appropriate changes to Sierra's rates.

Public hearing for Phase II was held January 31, 1978 at San Francisco at which time the issue of the adequacy of Sierra's energy conservation program and the issue of employee discounts were submitted subject to the parties' filing concurrent briefs.

At the Phase II hearing, counsel for Sierra made a motion that the issue of accelerated depreciation and investment tax credit not be considered during Phase II since it was not at issue in Phase I, that Sierra was never notified that it was to be considered in Application No. 57076 and that the parties had stipulated that only employee discounts and the adequacy of Sierra's energy conservation program would be heard in Phase II. The administrative law judge denied the motion, setting March 23, 1978 as the date to hear the issue of accelerated depreciation and investment tax credit.

Employee discounts is an issue in the rate application of Pacific Gas and Electric Company (PG&E) for which a decision has not been issued.^{1/} Because a decision in the PG&E case may influence our dealing with that issue, Sierra requested that we issue an interim order adopting the staff recommendation relating to conservation and thereby enable the proposed program to become operative.

^{1/} See Proposed Report of Presiding Officer Carol T. Coffey in Applications Nos. 55509 and 55510 of Pacific Gas and Electric Company dated November 17, 1977.

The manager of Sierra's Administrative Services Department, Mr. Bob J. Lewis, testified that Sierra's energy conservation program is a comprehensive plan, is cost-effective, and designed to reduce energy consumption in its service territory. Mr. Lewis sponsored Exhibits Nos. 15-27 setting forth the detail of Sierra's proposal. It can be summarized as follows:

- a. Informational Programs - A program of educating the public in ways of conserving energy including bill stuffers, a consumer information center, and a speaker's bureau.
- b. Home Energy Audit Program - An inspection program directed to the customer's home, to be performed by a company representative with recommendations for conserving energy through insulation, weatherstripping, and the efficient use of appliances.
- c. Retrofit Insulation Program - A residential insulation program utilizing leads generated by the energy audit program to identify homes which need additional insulation. Sierra offers to obtain two or three competitive estimates from utility approved (reputable) contractors for installing the additional insulation. The company also offers to finance part or all of the job.
- d. Conservation Hardware Program - A program to offer cost-effective energy saving hardware at reasonable prices either as part of the financing package associated with the retrofit insulation program or through a cash merchandising program. The hardware will be installed by the utility unless the customer prefers to install it himself.
- e. Total Energy Conservation Home "TECH" Program - A program to educate builders to use proven cost-effective insulation techniques, energy conservation hardware, and high efficiency appliances in their new homes.

To implement its proposal, Sierra estimates total expenses for 1978 of \$56,288 or about \$2.15 per customer. The program is planned to run for five years with a total five-year cost of \$325,691. This would be an average cost of \$65,138 per year or about \$2.20 per customer per year. It is asserted that these amounts are reasonable and should result in significant energy savings.

Mr. Julian E. Ajello testified on behalf of the Commission's Energy Conservation Team. He stated that the staff had reviewed Exhibits Nos. 15-27^{2/} and on several occasions met with Sierra's personnel to discuss the proposed energy conservation program. Mr. Ajello testified that Sierra has presented a comprehensive energy conservation program which if vigorously and cost-effectively carried out can result in significant energy savings and that Sierra should be allowed to carry out its program as planned; that Sierra's projected expenses for 1978 of \$56,288 and the estimated total five-year energy conservation program cost of \$325,691 appear reasonable; that each facet of the program should be carefully monitored for continued cost-effectiveness and portions failing to achieve such results should be modified or replaced with new programs; and that Sierra should not continue to be penalized for its previous level of effort in energy conservation but should be expected to show proof in future rate proceedings of the effectiveness of its expanded energy conservation program.

In conclusion the staff recommends that:

1. Sierra should be authorized to carry out its proposed energy conservation program as set forth in Exhibits Nos. 15-27.
2. The downward adjustment of 0.15 percent in rate of return ordered in Decision No. 88337 be eliminated.
3. Sierra should file quarterly reports on the effectiveness of its energy conservation program with the first report filed no later than June 30, 1978. The quarterly reports should include details of potential cogeneration projects as contained in Commission Resolution No. E-1738.
4. Sierra should be directed to carefully monitor its conservation program to insure that continued cost-effective results are obtained. Any portion failing to meet cost-effective goals should be dropped or modified for improved results.

^{2/} The prepared testimony of Sierra witness Lewis and Exhibits Nos. 15-27 were submitted to the Energy Conservation Team for review on November 2, 1977.

5. Sierra should be allowed to use higher insulation standards than those in current building codes because of the extreme temperature encountered in its service territory and these should be extended to all customers whether or not they have electric space heating. The insulation program should be coordinated with Southwest Gas Corporation to avoid duplication of effort.

The staff made no specific recommendation with respect to Sierra's retrofit insulation program pending a decision in Case No. 10032. Sierra did not oppose any of staff's recommendations.

Findings

1. Decision No. 88337 dated January 17, 1978 authorized Sierra to increase electric rates for its California operations by \$2,095,000.
2. Because Sierra had not made an affirmative showing in the past or in test year 1977 that it was carrying out a vigorous and cost-effective energy conservation program leading to a significant reduction in growth of energy use per customer, we made a downward conservation adjustment of 0.15 percent in the adopted rate of return reducing the annual increase authorized to \$1,987,613.
3. The issue of the effect of the modifications of the ratemaking treatment of accelerated depreciation and investment tax credit resulting from Decision No. 87838 should be heard in Phase II of this proceeding.
4. The energy conservation program proposed by Sierra is a comprehensive program which if vigorously and cost-effectively carried out can result in significant energy savings.
5. The estimated total expense of \$56,288 for the year 1978 is reasonable. The estimated total five-year cost of \$325,691 is reasonable.
6. Sierra should monitor each segment of its energy program carefully for continued cost-effectiveness.

7. Sierra should file quarterly reports on the effectiveness of its energy conservation program. The first report should be filed June 30, 1978 and each quarter thereafter until notified otherwise. In the reports Sierra should include details of potential cogeneration projects as contained in Commission Resolution No. E-1738.

8. Programs failing to meet cost-effective goals should be discontinued or modified for improved results.

9. Sierra should be authorized to carry out its proposed energy conservation program as set forth in Exhibits Nos. 15-27.

10. The downward adjustment of 0.15 percent in rate of return ordered in Decision No. 88337 should be eliminated.

INTERIM ORDER

IT IS ORDERED that:

1. After the effective date of this order, Sierra Pacific Power Company (Sierra) may discontinue applying the factor of 0.985 to all base rates for energy sold as ordered in Paragraph 1 of Decision No. 88337.

2. Sierra shall immediately implement its energy conservation program as set forth in Exhibits Nos. 15-27. Sierra shall monitor each segment of its program for continued cost-effectiveness.

3. Sierra shall file quarterly reports on the cost-effectiveness of the energy conservation program authorized herein. The first report shall be filed no later than June 30, 1978 and each quarter

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thereafter unless otherwise ordered by this Commission. The reports filed quarterly shall include potential cogeneration projects as outlined in Commission Resolution No. E-1738.

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

Dated at San Francisco, California, this 4th day of APRIL, 1978.

Robert Babinec
President
William J. Sussman Jr.
Vernon L. Sturgeon
Charles D. Swale
Clair T. DeWitt
Commissioners