

**ORIGINAL**

Decision No. 89853 JAN 16 1979

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SIERRA PACIFIC  
POWER COMPANY for an order  
exempting its Coal-Fired North  
Valmy Station in Nevada and  
other out-of-state projects  
from regulation under Public  
Utilities Code Section 1001.

Application No. 58122  
(Filed June 5, 1978)

O P I N I O N

Applicant, Sierra Pacific Power Company (Sierra Pacific), requests an order for a blanket exemption from the requirements of California Public Utilities Code, Section 1001, with respect to construction undertaken by applicant outside the State of California. The blanket exemption is requested on the grounds that applicant's primary service area is outside the State of California. The possibility for obtaining an exemption is set forth in CPUC Decision No. 88005, dated October 18, 1977, Conclusion 1, mimeo page 26 (the Kaiparowits Decision). This conclusion states as follows:

- "1. No utility subject to Section 1001 shall begin construction of any line, plant, or system, whether in California or otherwise, without first obtaining from this Commission a certificate that the present or future public convenience and necessity require or will require such construction. This Commission may exempt from this requirement, upon written application requesting such exemption, utilities whose primary service area is outside California." (Emphasis added.)

The facts alleged in the application are as follows:

1. Applicant is a Nevada public utility electrical corporation subject to the jurisdiction of this Commission.
2. Applicant's California service area is part of a two-state integrated system operated by the applicant.
3. For 1977, 89.8% of applicant's gross operating revenues from electrical power sales, 75.3% of applicant's average number of customers, 85.5% of applicant's net electrical plant investment, 91.4% of applicant's employees, and 95.6% of applicant's net generating capability were outside California.

While the Kaiparowits Decision permits an electric utility to seek an exemption for out-of-state projects, the granting of either a blanket or a limited time exemption for all out-of-state projects is inappropriate. The factors which form a basis for granting an exemption are constantly changing, and are best evaluated as the need for the project arises.

Consideration of the factors relevant to the application for exemption of the 250 MW coal-fired station and associated facilities, known as Valmy Coal #1, justifies exemption in this instance. Sierra Pacific's primary service area is in Nevada. For the year 1977, 89.8% of the company's gross operating revenue from electric power sales, 75.3% of its customers, 85.5% of its net electrical plant investment, and 95.6% of its net generating capability were outside California. More important, though, are the impacts of the project at issue on California. The primary beneficiaries of the project are located in the states of Nevada and Idaho. The project financing will not unreasonably burden California service or rates, nor do there appear to be any adverse environmental impacts in California. Accordingly, the Valmy Coal #1 generating station and associated facilities to be located in North Valmy, Humboldt County, Nevada, is exempt from the requirements of Public Utilities Code, Section 1001.

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Future applications for exemption of facilities shall include the following information, as well as such other information as the Commission or its staff may require:

1. Project description, including a discussion of technical and cost aspects, as well as the project location.
2. Area to be served by and to benefit from the project, specifying how and the extent to which the project will be used for California service.
3. The economic and operating costs and benefits to California service both of having and of not having the project built.
4. Any known or potential environmental impacts on California.
5. Description of any related projects, such as transmission lines, and their potential impacts on California.
6. Current and projected amounts and percentages of utility customers, kWh and dollar sales, net plant investment, and net generating capability in California.
7. An evaluation of the project's future impact on the average cost of electricity to California customers.

Receipt of such information will permit timely disposition of such requests for exemption. ✓

#### Findings

1. In Decision No. 88005 the Commission concluded that utilities whose primary service area is outside California may apply to this Commission for exemption from the certificate requirement of California Public Utilities Code, Section 1001.
2. No formal rules governing the applicability of this conclusion have been published.
3. Many factors must be considered in determining whether a given project should fall within the scope of this conclusion.

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4. Applicant's primary service area is in Nevada.

5. The Valmy Coal #1 project will serve primarily Nevada and Idaho.

6. The Valmy Coal #1 project will not unreasonably burden California service or rates, nor does it appear to entail any adverse environmental impacts in California.

7. Applicant's contemplated 250 MW Valmy Coal #1 project should be granted an exemption from Section 1001.

8. Further exemptions from the requirements of Section 1001 should only be considered on a project-by-project basis, giving consideration to the relevant circumstances in each application.

#### Conclusion

The application of Sierra Pacific for an exemption from the certificate requirements for Valmy Coal #1 project should be granted. The request for a blanket exemption should be denied, without prejudice to applications on a project-by-project basis.

O R D E R

IT IS ORDERED that:

1. Sierra Pacific's application for exemption for the proposed Valmy Coal #1, a 250 MW project, to be located at North Valmy, Humboldt County, Nevada, is hereby granted.

2. Sierra Pacific's application for a blanket exemption from Public Utilities Code, Section 1001, with respect to all lines, plant, or systems except as exempted above which applicant may construct outside the State of California is denied.

3. Sierra Pacific may seek exemption from Public Utilities Code, Section 1001, with respect to all lines, plant additions or systems which applicant may construct outside the State of California on a project-by-project basis in accordance with Commission practices and procedures and general orders which the Commission may establish or modify from time to time.

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

Dated at San Francisco, California, this 16th day of JANUARY, 1979.

Robert Barwood  
President  
Charles J. Howell  
Clare J. DeBriol

Commissioners