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Decision No. 91124 DEC 18 1979**ORIGINAL**

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 Unit No. 2 in Nevada
from certification requirement
under Public Utilities Code
Section 1001.

Application No. 58977
(Filed July 5, 1979)

O P I N I O N

Applicant, Sierra Pacific Power Company (Sierra Pacific), requests an order for exemption from the requirements of California Public Utilities Code, Section 1001, with respect to construction of Unit No. 2 of its coal-fired station north of Valmy in Nevada, a joint project with Idaho Power Company. 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."

In Decision No. 89853, dated January 16, 1979, in Application No. 58122, the Commission issued an exemption from the certificate requirements for Valmy Coal #1 project, but denied Applicant's request for a blanket exemption, ". . . without prejudice to applications on a project-by-project basis." The

decision specified informational guidelines necessary to permit timely disposition of such requests for exemption.

Applicant's responses to the information requirements of Decision No. 89853 are as follows:

1. Project description, including a discussion of technical and cost aspects, as well as the project location.

The proposed project is a 250-MW coal-fired steam electric generating unit located north of Valmy in Humboldt County, Nevada. The technical aspects of Unit No. 2 are the same as for Unit No. 1, which was exempted from the Public Utilities Code, Section 1001, by Decision No. 89853. The total estimated cost including SO₂ removal equipment is \$203.6 million. The land required for the actual power plant complex (Units 1 and 2 and common facilities) is about 1 square mile, but the 21.3 square mile area site is used to ensure that non-compatible land use will not occur in the immediate vicinity of the proposed project.

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.

Sierra Pacific's service area is part of a two-state (California and Nevada) integrated system serving electrical energy at retail in Alpine, El Dorado, Mono, Nevada, Placer, Plumas and Sierra Counties as well as municipalities of South Lake Tahoe, Portola, and Loyalton in California; Churchill, Douglas, Nye, Humboldt, Lander, Eureka, Esmeralda, Lyon, Mineral, Carson City, Pershing, Storey, Washoe and White Pine Counties in Nevada. Wholesale service for resale is provided to

the Truckee-Donner Public Utility District serving the Truckee-Donner Lake area in California; Pacific Gas and Electric Company serving the Echo Summit area; CP National serving the Winnemucca, Nevada area; the City of Fallon, Nevada, for resale within the city; Mt. Wheeler Power, Inc. for service to Ely and Eureka, Nevada and surrounding areas, and transmission service to Mt. Wheeler Power, Inc. for its Colorado River storage project. Additionally, the areas served by and benefiting from the project as well as the extent of use for California service are approximately in the proportions indicated in Appendix A of the application, relative to California's share of various operating statistics. Idaho Power Company's share of the project will serve and benefit areas-it serves primarily in Idaho, and additionally limited areas of Oregon and Nevada.

3. The economic and operating costs and benefits to California service both of having and of not having the project built.

Applicant alleges that it is economically imperative to construct N. Valmy Unit 2 to reduce overall costs, and that it is necessary to meet peak demands in both states. However, data furnished to staff by Applicant subsequent to filing of the application indicates the estimated cost of energy from N. Valmy 2 to be more costly than from Applicant's present oil-fired generation, due primarily to additional costs of pollution control equipment.

4. Any known or potential environmental impacts on California.

Applicant states no awareness of any environmental impact on California due to N. Valmy Unit 2.

5. Description of any related projects, such as transmission lines, and their potential impacts on California.

Applicant is not aware of any such related projects that would have an impact 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.

In Appendix A to the application, Sierra Pacific indicates that in 1978, 22.4% of the customers, 13.1% of sales with 15.0% of revenues, 14.2% of net plant investment, and 4.4% of net generating capability were in California. Applicant's corresponding estimated figures for 1983 are 18.3% of customers, 11.8% of sales with 15.3% of revenues, 11.7% of net plant investment, and 3.6% of net generating capability in California.

7. An evaluation of the project's future impact on the average cost of electricity to California customers.

Based on Applicant's estimated costs in Appendix E to the exhibit, energy produced by N. Valmy 2 would be about 12 mills/kWh more costly to California than energy from Applicant's oil-fired generation, due to the greater impact of capital costs than the fuel cost savings for the proposed unit. When averaged with other estimated energy costs to California, the impact would be about 2.7 mills/¢ kWh, or \$1.35 increase for a montaly usage of 500 kWh.

Consideration of the factors relevant to the application for exemption of the 250 MW coal-fired power plant and associated facilities known as North Valmy Station, Unit No. 2, justifies exemption in this instance.

Sierra Pacific's primary service area is outside California. Regarding impacts of the proposed project, the primary beneficiaries are located outside California; the project financing will not unreasonably burden California service or rates, and no adverse environmental impacts in California are likely to result.

Findings of Fact

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 Section 1001 of the California Public Utilities Code.
2. Applicant's primary service area is in Nevada.
3. The N. Valmy No. 2 project will serve primarily Nevada and Idaho.
4. The N. Valmy No. 2 project will not unreasonably burden California service or rates, nor does it appear to entail any adverse environmental impacts in California.

Conclusion of Law

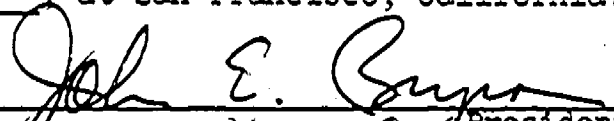
Applicant's contemplated 250 MW N. Valmy No. 2 project should be granted an exemption from the certificate requirements of Section 1001 of the Public Utilities Code.


ORDER


IT IS ORDERED that Sierra Pacific's application for exemption from the provisions of Section 1001 of the Public Utilities Code for the proposed North Valmy Station Unit No. 2, a 250-MW coal-fired project, to be located at North Valmy, Humboldt County, Nevada, is hereby granted.


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


Dated DEC 18 1979 at San Francisco, California.



President







Commissioners