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Decision 92987 MAY 5 1981

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 59894 (Filed August 21, 1980)

John Madariaga, Attorney at Law (Nevada), and Boris H. Lakusta, Attorney at Law, for Sierra Pacific Power Company, applicant.
Gordon E. Davis and William H. Booth, Attorneys at Law, for Sierra Ski Areas Association, and Sanford N. Nathan, Attorney at Law, for International Brotherhood of Electrical Workers Local 1245; protestants.
Ralph P. Cromer, for Tahoe Tavern Property Owners Association, interested party.
Freda Abbott, Attorney at Law, and Francis S. Ferraro, for the Commission staff.

INTERIM OPINION

Summary of Decision

Sierra Pacific Power Company (Sierra Pacific) seeks total rate relief of $5,642,000 for its electric utility service in California. This decision awards partial relief in the sum of $1,533,800. The remaining phase concerns what relief should be awarded when Sierra Pacific's new North Valmy Generating Station (Valmy), a 250 MW coal-fired power plant, goes on line and is included in rate base. Because of the relatively small amount of relief awarded in this first phase, rate design issues and certain other matters are reserved for our final decision in the next phase.

History of Proceeding

Sierra Pacific filed this application on August 21, 1980. A prehearing conference was held in San Francisco on August 29, 1980, and hearings were held on seven dates in September, November, and December 1980, including afternoon and evening hearings in Tahoe Vista and South Lake Tahoe on September 29 and 30 (all before Administrative Law Judge Meaney). Because there were certain problems regarding rate design testimony and exhibits, further hearings on this subject were held on February 2 and 3, 1981.

During the December hearings Sierra Pacific requested that the case could be split into two phases. The first phase decision would include the relief to be awarded without the addition of the Valmy coal-fired plant to the rate base ("without Valmy") and the second phase decision would add the remainder of the relief to be awarded with Valmy on the line ("with Valmy"). Valmy is expected to begin operating on or about October 1 of this year. The staff stated, on brief, that it preferred one decision on all issues but that it would not oppose bifurcation.

Public Testimony

Approximately two dozen persons, some of whom represented organizations, attended the Tahoe Vista hearing, and about half of that number attended the hearing at South Lake Tahoe.

Those who testified were almost exclusively concerned with rate design issues. There was considerable resistance to the proposed rate schedules for small businesses. Points of view were expressed on whether lifeline rates should apply to all residential dwellings or only to those used as a primary residence.

Rate design and tariff issues will be reserved for the decision in the second phase of this proceeding. We will therefore defer detailed discussion of public witness testimony until that decision.

Method of Tax Calculation

The decision in Sierra Pacific's last general rate increase application (Decision 88337, January 7, 1978, Application 57076) ordered increased rates subject to refund because of pending tax litigation. After that decision, we heard evidence on the various available formulas for determining Sierra Pacific's accelerated depreciation and investment tax credit for ratemaking purposes. Our decision on the subject has been held in abeyance pending the outcome of a dispute between the U.S. Internal Revenue Service and the Pacific Telephone and Telegraph Company concerning eligibility of that company for the federal tax benefits of accelerated depreciation and investment tax credit under the formulas.

Because of this situation, both Sierra Pacific and the staff computed taxes using conventional normalization for accelerated depreciation and rateable flow-through for investment tax credit. Rates in this proceeding, in both phases, will be set on this basis subject to refund. This avoids jeopardizing the federal tax benefits associated with accelerated depreciation and investment tax credit pending final determination of legal issues before the court.

Rate of Return

Sierra Pacific seeks an increase in its rate of return applicable to both phases of the proceeding. Its rate of return was most recently set on January 17, 1978 in Decision 88337, when it was granted a 9.40% rate of return on rate base, estimated to produce a return on equity of 12.87%.

In this application, Sierra Pacific seeks a rate of return on rate base of 11.36% which its witness, Joe McKibben, senior vice president, for Finance and Accounting, estimated would produce a return on equity of 15.00% (Exhibit 5).

Staff witness Dana Gardner recommended a rate of return of 11.33% on rate base which she estimated would produce a return on equity of 13.50% (Exhibit 6).

It is noteworthy that the recommendations for return on rate base, which is actually the return we set, differ by only 0.03%, while the estimations of return on equity differ by 1.50%. This occurs because of the differences between the witnesses on how they view the capital structure of the company for the test-year. The following table from Exhibit 6 sets forth these differences:

Sierra Pacific's Requested Rate of Return

Component	Capitalization Ratios	Cost	Weighted Cost
Long-term Debt	50.24%	8.84%	4.44%
Short-term Debt	.94	15.56	.15
Preferred Stock	10.16	9.52	.97
Common Stock Equity	38.66	15.00	5.80
Total	100.00%		11.36%

Staff-Recommended Rate of Return

Component	Capitalization Ratios	Cost	Weighted Cost
Long-term Debt	46.00%	9.72%	4.47%
Preferred Stock	13.00	10.16	1.32
Common Stock Equity	41.00	13.50	5.54
Total	100.00%		11.33%

In this regard, staff witness Gardner stated:

"Although my recommended allowance on common stock equity is 150 basis points lower than Sierra's request, there is no significant difference in the resulting overall rate of return. This is due to my recognition of the company's revised financing plans and the cost of the 14-5/8% Series First Mortgage Bond issued on October 2, 1980. My estimated capital structure includes additional preferred and common stock issued in 1980 and excludes all long-term debt which can be directly identified with Nevada rate base." (Exhibit 6, page 3.)

Sierra Pacific's witness McKibben's testimony supporting his recommendation may be summarized as follows:

1. The company is requesting the same return on common equity authorized by the Nevada Public Service Commission in 1980.
2. Analysis of Sierra Pacific compared to 99 comparable electric utilities, from a list prepared by Salomon Brothers shows that the request is reasonable.
3. An after-tax debt interest coverage ratio of at least 2.50 times is necessary to raise substantial amounts of capital needed for plant expansion over the next several years.
4. Sierra Pacific's bond rating was upgraded in 1977 by Standard and Poor's and Moody's to A. These upgradings should be maintained. They had a positive effect in bond financing for 1977 and 1979. For the bonds sold in 1977 and 1979, the witness estimates that the company achieved a savings over the life of the bonds sold of $3.9 million in interest payments. This translates to an annual revenue requirement savings of $509,915.
5. Capital demands for the next 5 years will be the largest in the company's history. Issuing stock at below book value (which occurred in 1978) is inadvisable because such stock dilutes the equity of the existing shareholders and erodes the faith in the financial integrity of the company. The witness believes it is necessary to restore the market-to-book value ratio for Sierra Pacific to 110% to 115% in order to accomplish that objective.
6. Since first mortgage bonds are at 15%, it is not reasonable to assume investors will buy Sierra Pacific's common stock if its return does not equal or exceed 15%.

The witness pointed out that recent issues of common stock improved the company's leverage to where the common equity ratio was raised from 30% in 1974 to 38% in 1978 (compared to an industry average of 35%), but the stock was sold at below book value.

The staff witness determined that the company's $20 million debt issue planned for this year would require a coupon rate of 13.00%. The witness recognized that the company had issued a 14.58% series first mortgage bond in October of 1980. She took into account recent interest fluctuations in making this estimate (Exhibit 6 Tables 1 and 2).

Her common equity recommendation was based on many factors, including:

1. The company's capital structure. (See the differences between the company and staff witnesses in the development of capital structure in the table above).
2. Past earnings performance, over a ten-year period.
3. Cash flow requirements.
4. Sierra Pacific's current bond rating, recently upgraded to A.
5. A comparison between Sierra Pacific's performance and that of 30 comparable companies. She evaluated Sierra Pacific's performance as about average.

Both witnesses state that they based their recommendations on balancing the interests of the ratepayers and those of the company, and that they took into account the principles laid down in Bluefield Water Works v West Virginia Pub. Serv. Comm'n (1923) 262 US 677 (692-3) and Federal Power Comm'n v Hope Natural Gas (1943) 320 US 591, 603, that a reasonable return should provide for financial integrity, the ability to attract new capital, and that the return should be commensurate with the return on investments in other enterprises having comparable risks. Both witnesses analyzed stock market data but point out that stock market trends are influenced by external events such as national elections and world events. Both witnesses stress that estimation of a correct rate of return on equity is judgmental and that it cannot be pegged at an exact figure.

We have abbreviated our discussion of the exhaustive presentations in Exhibits 5 and 6 because there is only a difference of 0.03% in the return on rate base recommendations and because, this being the case, Sierra Pacific, through counsel, stated it would accept the staff's lower rate base return to expedite the proceeding.

Sierra Pacific did not agree with the staff's capital structure development, nor the staff's 13.50% return on equity. We find that for this proceeding, it is not necessary for us to select a precise figure, but rather a range, for return on equity. It is understandable that there are differences between the witnesses in estimating capital costs in today's money market. Both witnesses' estimates are within the range of reasonableness. A large debt issue is scheduled for this year. Its cost can be estimated within reason, but not pinpointed with certainty. It is clear that the company is entering a period of plant expansion which will require more equity and debt capital. And while the interest paid on first mortgage bonds (currently 15%) is not a sole determinative factor of what return on equity should be, we agree with the company witness that its return on equity should be at least close to that figure.

Based on the above discussion, we determine that a return on rate base of 11.33% is reasonable, and that it will produce a return on equity of between 13.50% and 14.92%, such a range being reasonable for Sierra Pacific. Assuming the company's estimates of costs and capital structure to be correct, and applying them to the staff's recommended 11.33% return on rate base, the exact mathematical calculation of return on equity would be 14.92% rather than the 13.50% which results from the use of staff calculations and estimates exclusively. The most likely result, in our opinion, is a return on equity somewhere between the two figures, but as we have stressed, while various mathematical calculations can be made, it is impossible, given Sierra Pacific's current situation, to forecast a resulting return on equity with precision.

Results of Operation Generally

The staff analyzed all major areas of revenues and expenses. In many instances the differences between staff and company test-year estimates were in the 1% to 2% range. The resulting total difference for the test year was so small that the company accepted the overall staff development in order to expedite the proceeding. The company's original request was for first phase relief of $1,531,000 which it later revised upward to $1,553,800. The staff recommendation is a $1,551,700 increase. Sierra Pacific does not necessarily stipulate to the staff's methodology.

The following tables from staff Exhibit 6 show the staff development of Sierra Pacific's summary of earnings without Valmy at present rates and at proposed rates.

TABLE 18-A

SIERRA PACIFIC POWER CO. 1981
SUMMARY OF EARNINGS
YEAR 1981 AT PRESENT RATES WITHOUT VALMY

ITEM	STAFF (A)	UTILITY (B)	UTIL. EXCEEDS STAFF AMOUNT (C)	UTIL. EXCEEDS STAFF PCT (D)
	(THOUSANDS OF DOLLARS)			
OPERATING REVENUES				
TOTAL OPERATING REVENUES	$ 10447.0	$ 10313.0	$ -134.0	-1.3%
TOTAL OPERATING REVENUES	10447.0	10313.0	-134.0	-1.3
OPERATING EXPENSES				
PRODUCTION EXPENSES	473.0	501.0	28.0	5.9
TRANSMISSION EXPENSES	89.0	93.0	4.0	4.5
DISTRIBUTION EXPENSES	797.0	807.0	10.0	1.3
CUSTOMER ACCOUNTS EXPENSES	729.5	788.0	58.5	8.0
A & G EXPENSES	1074.3	1145.0	70.7	6.6
CUSTOMER SERVICE EXPENSES	64.3	113.3	49.0	76.2
SUBTOTAL	3227.1	3447.3	220.2	6.8
DEPR. & AMORT. EXP.	1951.0	1746.0	-205.0	-10.5
TAXES OTHER THAN ON INCOME	613.9	762.1	148.2	24.1
STATE CORP FRANCHISE TAX	80.5	148.0	67.5	83.9
FEDERAL INCOME TAX *	719.6	196.0	-523.6	-72.8
TOTAL OPERATING EXPENSES	6592.1	6299.4	-292.7	-4.4
NET OPERATING REVENUES ADJUSTD	3854.9	4013.6	158.7	4.1
RATE BASE	40622.6	42027.0	1404.4	3.5
RATE OF RETURN	9.49%	9.55%	0.06	

* The staff calculates federal income taxes at present rates without Valmy as $565,900. This results in a 8.67% rate of return.

TABLE 18-8

SIERRA PACIFIC POWER CO. 1981
SUMMARY OF EARNINGS
YEAR 1981 AT PROPOSED RATES WITHOUT VALMY

ITEM	STAFF (A)	UTILITY (B)	UTIL. EXCEEDS STAFF AMOUNT (C)	UTIL. EXCEEDS STAFF PCT (D)
	(THOUSANDS OF DOLLARS)			
OPERATING REVENUES				
TOTAL OPERATING REVENUES	$ 12023.0	$ 11864.0	$ -159.0	-1.3%
TOTAL OPERATING REVENUES	12023.0	11864.0	-159.0	-1.3
OPERATING EXPENSES				
PRODUCTION EXPENSES	473.0	501.0	28.0	5.9
TRANSMISSION EXPENSES	89.0	93.0	4.0	4.5
DISTRIBUTION EXPENSES	797.0	807.0	10.0	1.3
CUSTOMER ACCOUNTS EXPENSES	735.6	788.0	52.4	7.1
A & G EXPENSES	1084.0	1145.0	61.0	5.6
CUSTOMER SERVICE EXPENSES	64.3	113.3	49.0	76.2
SUBTOTAL	3242.9	3447.3	204.4	6.3
DEPR. & AMORT. EXP.	1951.0	1746.0	-205.0	-10.5
TAXES OTHER THAN ON INCOME	613.9	762.1	148.2	24.1
STATE CORP FRANCHISE TAX	196.0	224.0	28.0	14.3
FEDERAL INCOME TAX *	1384.2	909.0	-475.2	-34.3
TOTAL OPERATING EXPENSES	7388.0	7088.4	-299.6	-4.1
NET OPERATING REVENUES ADJUSTD	4635.0	4775.6	140.6	3.0
RATE BASE	40622.6	42027.0	1404.4	3.5
RATE OF RETURN	11.41 %	11.36 %	-0.05	

*The staff calculates federal income taxes at proposed rates without Valmy as $1,226,500. This results in a 10.61% rate of return.

Operating Revenues

The staff's development of operating revenues resulted in an estimate which exceeded the company's by 1.3%, traceable to certain differences in forecasting methodology. The staff suggests that Sierra Pacific should improve its forecasting as follows (Exhibit 16, pages 7-2 and 7-3):

1. Attempt to use quarterly (in addition to annual) estimates of residential customers.
2. For residential sales attempt to apply quarterly observations to provide a better correlation with published demographic data and to provide a longer data base.
3. Switching of customers from A-1 to A-3 schedule "invalidates the history of consumption in company records" and therefore Sierra Pacific should "either circumvent the need for the precise history of each schedule A-1 or A-2 or obtain such history from its records as a basis for forecasting Small Commercial and Large Commercial customers and sales".
4. Improve forecasting of sales to industrial customers.
5. Develop data on whether conservation reduces residential sales. (See analysis discussed in Chapter 6 of Exhibit 19, the staff's conservation exhibit.)

We will not impose the above items as mandatory and permanent methodology, but we will require Sierra Pacific to apply these suggestions in its next general rate increase. Sierra Pacific may advocate alternate techniques for our consideration as well.

After Sierra Pacific filed this application, we ordered in D.92496 dated December 5, 1980 (OII 56) that economy energy sales be excluded from ECAC and that wheeling revenues be included in base rates. Finding 50 of D.92496 stated that wheeling revenues should be reflected in base rates to give selling utilities incentive to wheel. Therefore, our adopted revenues will include the staff's estimate of economy energy sales.

Production Expenses

Sierra Pacific's estimate for production expenses exceeds the staff's by 5.6%. The staff revised allocation factors due to Sierra Pacific's purchase of the Winnemucca, Nevada distribution system and to new customers. The staff's development is reasonable.

Regarding production expenses, the staff exhibit (Exhibit 16, pages 8-2 and 8-3) comments:

> "The National Regulatory Research Institute (NRRI), under contract from the U.S. Department of Energy, instituted a program to assist state regulatory agencies in the evaluation of power plant performances and the promotion of improved power plant productivity. Based on its surveys, the NRRI found that power plant productivity has been adversely affected by:
>
> "A. Deficiencies in the design, manufacture, construction, operation and maintenance of plant equipment.
>
> "B. Deteriorating fuel quality.
>
> "C. Regulatory requirements related to environmental and safety issues.
>
> "D. A regulatory climate and/or utility management strategy that may have encouraged a lowest first cost at the expense of reliable operation.
>
> "E. An economic climate which has radically altered the feasibility of earlier decisions.
>
> "To implement a power plant productivity program, the NRRI sets forth the following approach:
>
> "A. Collect plant performance data.
>
> "B. Undertake studies to assess the potential for productivity improvements and to establish benefits from such improvements including cost-effective productivity improvement goals.

"C. Monitor plant productivity and the status of productivity improvement goals.

"Sierra has a policy of purchasing the least expensive power available from existing sources; therefore some units may not operate because at times power can be purchased cheaper than it can be generated. However, during its field investigation, the staff observed that ages of Sierra's fossil fueled generating plants vary from 6 to 20 years and the reservations toward existing plants expressed by the NRRI, as set forth in Paragraph 7, apply to Sierra's plants. Also, new transmission lines now operating enable Sierra to market surplus power with considerably greater flexibility and to provide needed power supplies to western states. Reliability of these plants should be ensured and efficiency should be maximized."

The staff recommends that Sierra Pacific develop a power plant productivity study consistent with the NRRI model. The staff's original date for compliance was March 31, 1981. The company indicated it could not meet this date. We find that October 1 of this year is a reasonable deadline. We also find reasonable the staff recommendation that Sierra Pacific should hold to its proposed schedule of load management tests and produce program results by September 1982.

Administrative and General Expenses

The following table, taken from Exhibit 16, summarizes the differences between Sierra Pacific and the staff for administrative and general (A&G) expenses.

Administration and General Expenses

	Staff	Utility	Utility Exceeds Staff	
Without Valmy				
Total A&G Utility basis	1,010	1,145	135	13.3%
Franchise Reqts	64			
Total Estimate	1,074	1,145	71	6.6%
With Valmy				
Total A&G Utility Basis	980	1,118	138	14.1%
Franchise Reqts	64			
Total Estimate	1,044	1,118	74	7.1%

A&G expenses encompass those costs connected with company headquarters, and other services not identifiable with specific company divisions or operations. There is no dispute on amounts to be apportioned to California, and the above table shows California's share rather than companywide totals.

Sierra Pacific's estimates include additional personnel for accounting, rates, computer, and load research programs, made necessary by federal and state regulatory requirements. Also included are increased costs of employee benefits, additional outside services, accruals for injuries and damage claims, growth, and inflation.

Staff differences stem from development by the staff of trends by use of regression analyses. The staff also updated allocation factors to include the previously mentioned purchase of the Winnemucca distribution system, plus newly identified large customers.

Staff-company differences regarding particular accounts are set forth in detail in Exhibit 16, Chapter 13, which also includes more detailed tables. Because Sierra Pacific accepted the staff's development to expedite the proceeding, we need not review this detail here. We find the staff's test year estimates reasonable.

Utility Plant

The staff made a field investigation and reviewed the 1980 and 1981 electric common plant construction budgets. This resulted in the following adjustments:

CALIFORNIA AVERAGE PLANT

	With Valmy		Without Valmy	
	Staff	Utility	Staff	Utility
1980	$47,488,609	$47,876,300	$47,488,609	$47,531,893
1981	64,167,400	65,979,056	54,718,600	56,111,609

The 1981 "with Valmy" figures do not include $2,269,000 of allowances for funds used during construction.

Staff adjustments result from use of its method of calculating 13-month weighted average plant additions (the standard methodology for electric rate increase applications) and to a $750,000 adjustment to common plant resulting from disallowance of certain acreage purchased for an office complex and deemed excess for that purpose.

The staff study of Valmy will be reviewed in the final decision.

We agree with the staff that future Notice of Intent filings should include a showing based on the staff's 13-month weighted average method of calculating plant additions, and a detailed lead-lag working cash allowance study.

Jurisdictional Cost Allocations

For Sierra Pacific, it is necessary to allocate companywide expenses among California, Nevada, and Federal Energy Regulatory Commission jurisdictions as well as by type of service (electric, water, and gas). There is an existing well-developed methodology acceptable to the Commission and no issues arose concerning it.

Sierra has purchased the Elko, Nevada electrical distribution system from another utility. We agree with the staff recommendation that it should include allocation factors based on ownership of that system.

Taxes

Certain major matters of tax estimation and computation are under investigation in OII 24. Chapter 14 of the staff's Exhibit 16 sets forth certain adjustments which are not the subject of OII 24.

As we stated in the introduction, (see heading, "Method of Tax Calculation") while we have taken evidence in a previous proceeding on rate treatment for accelerated depreciation and investment tax credit (ITC), our decison on when to implement our adopted methodology should wait.

The staff's Exhibit 16 makes the following recommendation (page 20-1):

> "[Sierra Pacific's] first ECAC filing in each calendar year should reflect the reduced revenue requirements due to the additional ITC to be flowed through in accordance with the utility's Option II election and the additional rate base reduction caused by the company's normalization of its tax depreciation. The reduction in revenue requirement which the staff recommends is consistent with the Commission's AAA method adopted for [Pacific Telephone and Telegraph Co.] in D.87838 dated September 13, 1977. In the instant proceeding, the staff is merely recommending that ECAC be used as the vehicle for implementing the reduction in revenue requirement."

We must defer consideration of this recommendation until the tax issues before the court are resolved.

Other differences in tax estimation are minor and need not be reviewed here since Sierra Pacific accepts the staff's methodology for this proceeding.

Other Results of Operation Areas

The staff's Exhibit 16 also includes brief discussions and tables concerning the following:

Transmission expenses
Distribution expenses
Customer Accounts Expenses
Customer Service and Information Expenses
Depreciation Expense and Reserve

These are areas in which the percentage difference between Sierra Pacific estimates and those of the staff are so small, or the difference in dollar amounts are so slight, as not to warrant discussion because Sierra Pacific accepts the staff development to expedite the proceeding.

One section of Exhibit 16 is devoted to analyzing delays in receiving information from Sierra Pacific. It is in the utility's own self-interest to improve the flow of information.

Rate Design Issues

Protestant Sierra Ski Areas Association (Ski Association) requests that we consider during this first phase the elimination of a "demand ratchet" feature in the existing A-2 and A-3 schedules. Much detailed testimony was taken on this issue. Ski Association contends that the feature unfairly impacts ski area operators. Sierra Pacific argues that elimination of it will unfairly shift costs to year-round customers.

We will consider this issue in our final decision. Analysis of it will delay interim relief and, if we were to decide to eliminate it, we would be unable to spread the interim relief on a uniform percentage basis.

All other rate design issues, including problems relating to employee discounts, are reserved. The rate increases authorized in this first phase decision will be spread on a uniform cents per kWh basis.

Conservation Issues

There is voluminous evidence in the record concerning conservation programs. Detailed consideration of it should be reserved for our final decision. However, one problem which must be dealt with briefly is the staff's request for a reduction of rate of return on the ground that some of the programs mandated by our prior decision have not been pursued vigorously by Sierra Pacific.

A general review of the evidence convinces us that, at least for interim purposes, no such penalty should be imposed. While mistakes and omissions have occurred, the evidence does not show that there is general mismanagement of the programs, that they are, as a whole, ineffective, or that company management is disinterested in pursuing conservation goals.

We note that even without any penalty, the company cannot earn, on a nine-month basis (that is, January 1981 to October 1, 1981, the "without Valmy" period) its rate of return authorized here because for the company to do so this decision would have to have been issued in December of 1980 with the rates effective on January 1, 1981. Certain delays in submitting the case prevented this from occurring.

Effective Date of Decision

Because of the situation mentioned in the preceding paragraph, it is clear that Sierra Pacific is in need of immediate first-phase rate relief. We will make the order in this decision effective the date it is signed.

Findings of Fact

1. Sierra Pacific's request to consider this application in two phases is reasonable.

2. We should not at this time apply the AA and AAA method of computing Sierra Pacific's taxes for ratemaking purposes and we therefore find it reasonable to compute them using conventional normalization and rateable flow-through, with the rates subject to refund.

3. Sierra Pacific is entitled to a rate of return on rate base of 11.33% on rate base which will produce a return on equity of 13.50% to 14.92%. Such a range is reasonable.

4. The staff's development of operating revenues is reasonable. We should order Sierra Pacific to apply the staff's recommendations on forecasting techniques in its next general rate increase application, without barring Sierra Pacific from advocating alternate methodology. Estimates should include economy energy sales.

5. The staff's estimate for production expenses is reasonable. It is reasonable to allow Sierra Pacific until October 1, 1981 to develop a power plant productivity study consistent with the NRRI model, and until September 1982 to complete its load management tests and program results.

6. The staff's estimate of rate base without Valmy is reasonable.

7. The staff's estimates of jurisdictional cost allocations, taxes, transmission and distribution expenses, customer accounts expenses, customer service and information expenses, and depreciation expense and reserve are reasonable.

8. Because of the size of this increase and the need for immediate relief, rate design issues should be deferred until the final decision and the increase in this decision should be spread on a uniform cents-per-kWh basis.

9. No penalty against rate of return should be imposed, for interim purposes, because of Sierra Pacific's development of its conservation program. Detailed consideration of conservation issues should be deferred until the final decision.

Conclusions of Law

1. Sierra Pacific should be awarded interim relief of $1,533,800, with taxes computed on conventional normalization and rateable flow-through, and rates subject to refund.

2. The issues of rate design and conservation should be reserved for the final decision. Rate increases in this phase should be applied on a uniform cents-per-kWh basis; the adopted rates are just and reasonable.

INTERIM ORDER

IT IS ORDERED that:

1. After the effective date of this order Sierra Pacific Power Company (Sierra Pacific) is authorized to file revised rate schedules reflecting the rates and rate increases set forth in Appendix A to this decision, and concurrently to withdraw and cancel its presently effective schedules. The filing shall comply with General Order 96-A.

2. The effective date of the revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after their effective date.

3. All rates shall be subject to refund pending further order.

4. Sierra Pacific shall use the staff's recommendations on operating revenue forecasting techniques in its next general rate increase application. Sierra Pacific may present us with alternative methods.

5. Sierra Pacific shall develop a power plant productivity study consistent with the NRRI model by October 1, 1981, and shall complete its load management tests and program results by September of 1982.

6. Issues raised during this proceeding and not disposed of in this decision are deferred until our final (second phase) order.

This order is effective today.

Dated MAY 5 1981, at San Francisco, California.

President

Commissioners

AUTHORIZED BASE RATES

	Per Meter Per Month
Schedule No. D-1	
Customer Charge	
Lifeline	$1.65
Nonlifeline	2.30
Energy Charge (per kWh)	
Lifeline	1.471¢
Nonlifeline	2.947
Excess	5.255
Schedule No. DM-1	
Customer Charge	$2.30
Energy Charge (per kWh)	
Lifeline	1.471¢
Nonlifeline	2.947
Excess	5.255
Schedule No. DS-1	
Customer Charge	$2.07
Energy Charge (per kWh)	
Lifeline	1.324¢
Nonlifeline	2.947
Excess	5.255
Schedule No. A-1	
Customer Charge	$2.30
Energy Charge (per kWh)	
First 30,000 kWh	2.629¢
Excess kWh	5.258¢

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Schedule No. A-2	Per Meter Per Month
Demand Charge (per kW)	
First 50 kW	$ 160.00
Excess kW	3.20
Energy Charge (per kWh)	.877¢
Schedule No. TOU-3	
Customer Charge	$1,300.00
Demand Charge (per kW)	
On-peak winter	3.00
On-peak summer	2.05
Mid-peak	.30
Off-Peak	No charge
Energy Charge (per kWh)	
On-peak	.967¢
Mid-peak	.863
Off-peak	.826
Schedule No. PA	
Customer Charge	$2.30
Energy Charge (per kWh)	
First 500 kWh	4.257¢
Next 4,500 kWh	3.257¢
Excess kWh	2.837¢

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Schedule No. S-4

Nominal Lamp Rating	Rate per Lamp Per Month Installed on Wood Poles	Rate per Lamp Per Month Installed on Metal Poles
100 Watts	$5.36	$
189 "	6.25	
230 "	7.72	14.80
340 "	9.64	16.75

Schedule No. LS-5

A. Overhead Service - Utility-Owned Installation

Nominal Lamp Rating	Rate per Lamp Per Month Installed on Existing Poles	New Wood Poles	New Metal Poles
7,000 Lumens	$ 7.12	$ 9.31	$ 13.97
20,000 "	11.37	13.54	18.22
55,000 "	15.38	17.03	20.59

B. Underground Service - Utility-Owned Installation

Nominal Lamp Rating	Rate Per Lamp Per Month
3,500 Lumens	$12.08
7,000 "	14.21
20,000 "	19.78
55,000 "	28.19

C. Customer Owned Installation

Nominal Lamp Rating	Rate Per Lamp Per Month
20,000 Lumens	$ 8.12

Schedule No. LS-6

No change to present rates.

APPENDIX A
Page 4

Schedule No. OL-1

Nominal Lamp Rating	Rate Per Lamp Per Month Installed On: Existing Poles	New Wood Poles	New Metal Poles
A. Overhead Service			
7,000 Lumens	$4.32	$ 5.85	$ 9.00
20,000 Lumens	6.88	8.49	11.62
B. Underground Service			
7,000 Lumens		12.22	15.35
20,000 Lumens		14.77	17.91

Schedule No. OL-2

Nominal Lamp Rating	Existing Poles	New Wood Poles	New Metal Poles
5,500 Lumens	$5.18	$ 6.65	$10.46
9,500 Lumens	5.43	6.90	10.55
16,000 Lumens	6.06	7.34	11.30

(END OF APPENDIX A)