

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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to Executive Director

RESOLUTION E-1992

UTILITIES DIVISION

BRANCH: Rate Design and Economics

DATE: December 20, 1983

Director

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Numerical File

RATE DESIGN & ECONOMICS BRANCH

Alphabetical File

ROOM 5188

Accounting Officer

R E S O L U T I O N

AUTHORIZATION FOR SIERRA PACIFIC POWER COMPANY (SPPCO) TO INCREASE ITS ELECTRIC TARIFF RATES TO COMPENSATE FOR OPERATIONAL AND FINANCIAL ATTRITION RESULTING IN AN ANNUAL REVENUE INCREASE OF \$1,028,000

By Advice Letter 176-E filed October 12, 1983, SPPCo. requests authorization to increase its annual electric revenue as set forth on Cal. P.U.C. Sheets 1084-E to 1091-E, inclusive. The facts are as follows:

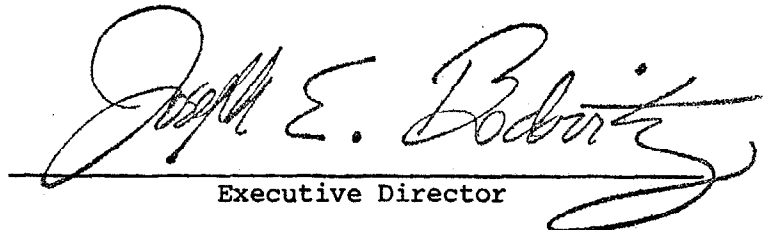
1. The requested increase is to compensate for the operational and financial attrition in the calendar year 1984.
2. The Attrition Rate Adjustment Allowance (ARA), was authorized by the Commission in Decision 83-04-066, dated April 20, 1983 in Application 82-08-043 filed August 19, 1982.
3. The requested rate increase will result in an annual revenue increase of \$1,028,000.
4. In 1984, ARA is comprised of two major elements; (1) operation and maintenance costs consisting of labor and non-labor expenses, and (2) capital related costs. The capital related costs were established in Decision 83-04-066. The 1984 ARA relating to operation and maintenance costs is to be indexed for 1984. These costs consist of the amounts adopted for 1983 test year labor and non-labor related expenses to which an indexing formula is applied to determine the attrition labor and non-labor related expenses as shown in Attachment A to this resolution. Development of the attrition rate adjustment, using the method stipulated in Decision 83-04-066, is shown as Attachment B to this resolution.
5. The total ARA revenue requirement of \$1,028,000 is spread to each tariff schedule on a uniform ¢/Kwh basis as shown in Attachment C to this resolution.
6. This filing has been reviewed by the staffs of the Utilities and Revenue Requirements Divisions and approval is recommended.
7. Public notification of this filing has been made through local news media and by mailing copies of this advice letter to other utilities, governmental agencies, and to other interested parties who have requested them. The Commission staff has received no protests in this matter.
8. We find that this filing is just and reasonable and in conformance with Decision 83-04-066.

THEREFORE:

1. Sierra Pacific Power Company is authorized under Sections 451 and 454 of the Public Utilities Code and under the provisions of Decisions 83-04-066 to place the above tariff sheets into effect on January 1, 1984.
2. The above advice letter and tariff sheets shall be marked to show that they were accepted for filing by Commission Resolution E-1992. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular conference on December 20, 1983. The following Commissioners approved it:

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
WILLIAM T. BAGLEY
Commissioners


Executive Director

The CPUC has established a methodology that adjusts the labor and non-labor expense base adopted in Decision 83-04-66 for 1983 to reflect the actual inflation which occurs in 1982 and the most current 1983 and 1984 annual escalation rates as projected by DRI in its most recent forecast. The CPUC formula is as follows:

$$\text{Attrition Allowance} * = \left(A \times \frac{B}{C} \times D \right) - A \left(1 - \frac{B}{C} \right)$$

- A - The 1983 expense base subject to escalation as adopted in Decision 83-04-066 (CPUC jurisdictional amount).
- B - The compounded factor of (one plus the 1983 escalation rate) multiplied by (one plus the 1983 escalation rate), developed from the fall 1983 DRI forecast.
- C - The compounded factor of (one plus the 1982 escalation rate) multiplied by (one plus the 1983 escalation rate) adopted in Decision 83-04-066.
- D - The 1984 escalation rate developed from the fall 1983 DRI forecast.

* Appropriate uncollectible and franchise factors shall be included.

Terra Pacific Power Company



ATTRITION RATE ADJUSTMENT ALLOWANCE
SUMMARY OF REVENUE REQUIREMENTS
BASED ON ADOPTED RESULTS OF OPERATION
FOR 1983 FROM CPUC DECISION 83-04-066

	<u>1983 Base For Indexing</u>	<u>Revenue Requirements Applicable To Attrition Adjustment</u>
<u>Costs Subject to Indexing</u>		
Labor	\$3,597	\$ 162
Non-Labor	<u>1,248</u>	<u>12</u>
Total Costs Subject to Indexing	<u>\$4,845</u>	<u>\$ 174</u>
<u>Fixed Costs</u>		
Rate Base		\$ 662
Depreciation		99
Property Taxes		49
Financing		165
Income Tax Effect		<u>(121)</u>
Total Fixed Costs		<u>\$ 854</u>
 Total ARA Revenue Requirements		 <u>\$1,028</u>

ATTRITION RATE ADJUSTMENT
CALCULATION OF REVENUE REQUIREMENTS

ITEMS SUBJECT TO INDEXING

FORMULA: $ARA = (A \times \frac{B}{C} \times D) - A (1 - \frac{B}{C})$

Labor

A = \$3,597

B = $(1 + .088) (1 + .0553) = 1.148$

C = $(1 + .080) (1 + .068) = 1.153$

$\frac{B}{C} = 1.148 \div 1.153 = .996$

D = .049

ARA = $(\$3,597 \times .996 \times .049) - \$3,597 (.004)$

ARA = \$176 - \$14

ARA = \$162

Non-Labor

A = \$1,248

B = $(1 + .100) (1 + .017) = 1.119$

C = $(1 + .100) (1 + .063) = 1.169$

$\frac{B}{C} = 1.119 \div 1.169 = .957$

D = .055

ARA = $(\$1,248 \times .957 \times .055) - \$1,248 (.043)$

ARA = \$66 - \$54

ARA = 12

erra Pacific Power Company



ATTRITION RATE ADJUSTMENT
INDEXING FORMULA COMPONENTS

FORMULA: Attrition Allowance = $(A \times \frac{B}{C} \times D) - A (1 - B)$

	<u>Labor</u>	<u>Non Labor</u>
Components:		
A = Adopted 1983 Expense Base (1)	\$3,597	\$1,248
B = Escalation Rates - 1982	8.8% (2)	10.0%(3)
1983	5.526%(4)	1.7%(7)
C = Adopted Escalation Rates - 1982	8.0% (3)	10.0%(3)
1983	6.8% (5)	6.3%(5)
D = 1984 Escalation Rates	4.9% (6)	5.5%(7)

Notes:

1. In thousands of dollars. From the revenue requirement division report chapter #17 adjusted for the Commission's reduction as noted in Decision 83-04-066, Section E, Customer Service and Information. See attached Exhibit "A".
2. Actual union wage settlement effective May 1, 1982.
3. The CPUC Staff adopted the company's 1982 budget escalation rates. Rates are from WCB testimony, page 5 of 12. See attached Exhibit "B".
4. Actual union wage settlement effective May 1, 1983. See attached Exhibit "C".
5. From the CPUC revenue requirement division report, page 1 - 3. See attached Exhibit "D".
6. Contractual union wage settlement to be effective May 1, 1984. See attached Exhibit "C".
7. From CPUC Engineering Analysis Group memorandum dated June 20, 1983. See attached Exhibit "E".

1984 ATTRITION ALLOWANCE
(Dollars in thousands)

Variable Attrition Items

(1) Revenues	Use ERAM
(2) O&M Labor (a) (1983 Base for Indexing)	\$3,597
(3) O&M Non-Labor (b) (1983 Base for Indexing)	\$1,348

Fixed Attrition Items

	<u>Revenue Requirement</u>
(4) Rate Base	\$ 662
(5) Depreciation Expense	\$ 99
(6) Property Taxes	\$ 49
(7) Income Tax Effect	\$(121)
(8) Financing Costs	\$ 165

(Red Figure)

(a) Includes Pensions, Employee Benefits and Payroll Taxes.

(b) Excludes Pensions and Employee Benefits.

