

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

E-4

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RESOLUTION: E-2023

EVALUATION & COMPLIANCE DIVISION

BRANCH: Energy

DATE: December 19, 1984

R E S O L U T I O N

AUTHORIZATION FOR SIERRA PACIFIC POWER COMPANY (SPP) TO INCREASE ITS ELECTRIC TARIFF RATES TO COMPENSATE FOR OPERATIONAL AND FINANCIAL ATTRITION RESULTING IN AN ANNUAL REVENUE INCREASE OF \$1,002,000 or 3%

By Advice Letter 184-E filed October 31, 1984, SPP requests authorization to increase its annual electric revenues as set forth on Cal. P.U.C. Sheets 1140-E through 1148-E, inclusive. The facts are as follows:

1. The requested increase is to compensate for the operational and financial attrition in the calendar year 1985.
2. The Attrition Rate Adjustment (ARA), was authorized by this 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 \$1,002,000 or 3%.
4. In 1985, 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 1985 ARA relating to operation and maintenance costs is to be indexed for 1985. 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 on 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 development of the ARA rate per kWh for each customer class is shown on Attachment C to this resolution.

6. A comparison of the present and proposed rates for electric service is as follows:

	Present	Proposed	Increase	
	Rates	Rates	Amount	Percent
<u>Residential* D-1</u>				
Tier I (Lifeline)/kWh	\$0.06274	\$0.06520	\$0.00246	3.92%
Tier II (5,000)/kWh or less	0.09864	0.10110	0.00246	2.49
Tier III (Excess)/kWh	0.12006	0.12252	0.00246	2.05
<u>Commercial** A-1</u>				
All usage per kWh	\$0.08671	\$0.08919	\$0.00248	2.86%

\* Present rates used are those in effect on November 14, 1984.

\*\* Present rates used are those in effect on November 14, 1984.

7. The following table shows typical residential and commercial bills at various levels of present and proposed rates:

	Present	Proposed	Increase	
Monthly Usage in kWh	Rates	Rates	Amount	Increase
<u>Residential - D-1</u>				
240	\$ 15.06	\$ 15.65	\$ .59	3.92%
500	25.65	26.29	.64	2.50
1,000	90.03	92.49	2.46	2.73
2,500	237.99	244.14	6.15	2.58
5,000	484.59	496.89	12.30	2.54
7,500	1,002.53	1,026.54	24.01	2.39
<u>Commercial A-1</u>				
500	\$ 43.36	\$ 44.60	\$ 1.24	2.86%
1,000	86.71	89.19	2.48	2.86
2,000	173.42	178.38	4.96	2.86
3,000	260.13	267.57	7.44	2.86
4,000	346.84	356.76	9.92	2.86
5,000	433.55	445.95	12.40	2.86

8. In accordance with the provisions of Decision 82-04-066, SPP requests an effective date of January 1, 1985.

9. Public notification of this filing has been made by mailing copies of this advice letter to other utilities, governmental agencies, and to all interested parties of record in Application 82-08-043. The Commission staff has received no protests in this matter.

10. SPP's last authorized rate of return for Test Year 1983 as set forth in Decision 83-04-066 issued April 20, 1983 was 12.57%. Its recorded and adjusted rates of return were 10.01% and 9.06% respectively for the 12 months

ended August 31, 1984, and based on SPP's current California jurisdictional Rate Base of approximately \$59 million, this \$1,002,000 increase in revenues will not be sufficient to raise SPP's projected rate of return above that last authorized.

11. We find that this filing is just and reasonable and is in conformance with the Attrition Rate Adjustment mechanism adopted by Commission Decision 82-04-066.

**THEREFORE:**

1. Sierra Pacific Power Company is authorized under Sections 451 and 454 of the Public Utilities Code and under provisions of Decision 82-04-066 to place the above tariff sheets into effect on January 1, 1985.
2. The above advice letter and tariff sheets shall be marked to show they were approved for filing by Commission Resolution E-2023. This Resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular scheduled meeting on December 19, 1984. The following Commissioners approved it:

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Executive Director

The CPUC has established a methodology that adjusts the labor and non-labor expense base adopted in Decision 83-04-066 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 this decision (83-04-066) (CPUC jurisdictional amount).
- B = The compounded factor of (one plus the 1982 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 this decision (83-04-066).
- D = The 1984 escalation rate developed from the fall 1983 DRI forecast.
- \* - Appropriate uncollectible and franchise factors shall be included.



1985 ATTRITION RATE BASE ADJUSTMENT ALLOWANCE  
SUMMARY OF REVENUE REQUIREMENTS  
BASED ON ADOPTED RESULTS OF OPERATIONS  
FOR 1983 FROM CPUC DECISION 83-04-066

<u>Cost Subject to Indexing</u>	<u>Revenue Requirements Applicable to Attrition Adjustment</u>
Labor (1)	\$ 172
Non-Labor (2)	<u>(38)</u>
 Total Costs Subject to Indexing	 <u>\$ 134</u>
 <u>Fixed Costs (3)</u>	
Rate Base	\$ 673
Depreciation	101
Property Taxes	50
Financing	168
Income Tax Effect	<u>(124)</u>
 Total Fixed Costs	 <u>\$ 868</u>
 Total ARA Revenues	 <u><u>\$1,002</u></u>

- (1) Table A
- (2) Table B
- (3) Table C

CALIFORNIA ELECTRIC  
1985 ATTRITION ALLOWANCE(1)  
(In Thousands of Dollars)

Attachment B Sheet 2 of 5  
Resolution E-2023

Labor

1.	Adopted 1983 Expense Base(2)	\$3,597
2.	Adopted 1984 Escalation Amount(3)	162
3.	Total Labor Base (84' \$)	<u>\$3,759</u>
4.	1984 Escalation - Adopted(4)	4.9%
5.	1983 Escalation - Adopted(5)	6.8%
6.	1982 Escalation - Adopted(6)	8.0%
7.	Labor Base (81' \$)	<u>\$3,107</u>
8.	1982 Escalation - Recorded(7)	8.8%
9.	1983 Escalation - Recorded(8)	5.53%
10.	1984 Escalation - IBEW Contract(4)	4.9%
11.	1985 Escalation - IBEW Contract(9)	5.0%
12.	1985 Labor (85' \$)	<u>3,929</u>
13.	1985 Labor Escalation (Line 13 - Line 3)	\$ 170
14.	Franchise & Uncollectibles(10)	2
15.	1985 Labor Escalation	<u>\$ 172</u>

(1) This calculation is consistent with the indexing formula that was adopted in Decision No. 83-04-066 (page 17, attached as part of Exhibit "I").

This calculation demonstrates the step-by-step calculation.

(2) See attached notes (2)-(12).

CALIFORNIA ELECTRIC  
1985 ATTRITION ALLOWANCE(1)  
(In Thousands of Dollars)

Attachment B Sheet 3 of 5  
Resolution E-2023

Non-Labor

1.	Adopted 1983 Expense Base(2)	\$1,248
2.	Adopted 1984 Escalation Amount(3)	<u>12</u>
3.	Total Labor Base (84' \$)	\$1,260
4.	1984 Escalation - Adopted(11)	5.5%
5.	1983 Escalation - Adopted(5)	6.3%
6.	1982 Escalation - Adopted(6)	<u>10.0%</u>
7.	Labor Base (81' \$)	\$1,021
8.	1982 Escalation(6)	10.0%
9.	1983 Escalation(7)	1.7%
10.	1984 Escalation(12)	2.8%
11.	1985 Escalation(12)	<u>4.1%</u>
12.	1985 Non-Labor Escalation (85' \$)	1,222
13.	1985 Non-Labor Escalation (Line 13 - Line 3)	\$ (38)
14.	Franchise & Uncollectibles(10)	-
15.	1985 Non-Labor Escalation	<u><u>\$ (38)</u></u>

(1) This calculation is consistent with the indexing formula that was adopted in Decision No. 83-04-066 (page 17, attached as part of Exhibit "I").

This calculation demonstrates the step-by-step calculation.

(2) See attached notes (2)-(12).



CALIFORNIA ELECTRIC  
1985 ATTRITION ALLOWANCE  
(In Thousands of Dollars)

Attachment B Sheet 4 of 5  
Resolution E-2023

<u>Fixed Costs</u>	1984 <u>Base(1)</u>	<u>Escalation(2)</u>	1985 <u>Revenues</u>
Rate Base	\$ 662	\$ 11	\$ 673
Depreciation	99	2	101
Property Taxes	49	1	50
Financing	165	3	168
Income Tax Effect	<u>(121)</u>	<u>(3)</u>	<u>(124)</u>
<b>Total Fixed Costs</b>	<b><u>\$ 854</u></b>	<b><u>\$ 14</u></b>	<b><u>\$ 868</u></b>

(1) Levels adopted in Decision No. 83-04-066, page 18, and specified by staff on page 17-2 of the report. See Exhibit "A."

(2) Costs in first column escalated based on most recent Handy-Whitman index, Bulletin No. 119 (see Exhibit "H"):

Cost Index 1984;	244
Cost Index 1983;	<u>240</u>
Ratio;	1.0167
Escalation Rate;	1.67%





## NOTES TO TABLES A &amp; B

- (2) From the revenue requirement division report chapter 17, page 2, adjusted for the Commission's reduction as noted in Decision 83-04-066, Section E, Customer Service and Information. See attached Exhibit "A."
- (3) From the 1984 attrition filing. See attached Exhibit "F."
- (4) Contractual union wage settlement effective May 1, 1984. See attached Exhibit "C."
- (5) From the CPUC revenue requirements division report, page 1-3. See attached Exhibit "D."
- (6) The CPUC staff adopted the Company's 1982 budget escalation rates. Rates are from WCB testimony, page 5 of 12. See attached Exhibit "B."
- (7) Actual union wage settlement effective May 1, 1982.
- (8) Actual union wage settlement effective May 1, 1983. See attached Exhibit "C."
- (9) Contractual union wage settlement to be effective May 1, 1985. See attached Exhibit "C."
- (10) Franchise and uncollectable factor 0.0128 is based on Decision 83-04-066.
- (11) From CPUC Engineering Analysis Group memorandum dated June 20, 1983. See attached Exhibit "E."
- (12) From CPUC Engineering Analysis Group memorandum dated September 19, 1984. See attached Exhibit "G."

SIERRA PACIFIC POWER COMPANY  
ATTRITION ADJUSTMENT  
(IN THOUSANDS)

CLASS	CPUC DECISION 83-04-066 ***** REVENUE PERCENTAGE		ALLOCATION OF 1984 FORECAST ATTRITION MWH		1984 RATE INCREASE (PER KWH)		1985 BUDGETED REVENUE PERCENTAGE		ALLOCATION OF 1985 FORECAST ATTRITION MWH		1985 RATE INCREASE (PER KWH)	
	REVENUE	PERCENTAGE	ATTRITION	FORECAST MWH	INCREASE (PER KWH)	REVENUE	PERCENTAGE	ATTRITION	FORECAST MWH	INCREASE (PER KWH)		
RESIDENTIAL	\$10,686	0.5648	\$581	221,904	\$0.00261	\$20,399	0.5815	\$583	237,262	\$0.00246		
A-1	4,016	0.2123	218	79,492	\$0.00274	7,252	0.2067	207	83,326	\$0.00248		
A-2	2,841	0.1502	154	60,246	\$0.00255	3,432	0.0978	98	43,176	\$0.00227		
A-3	1,104	0.0584	60	42,190	\$0.00142	3,917	0.1117	112	51,870	\$0.00216		
SL/DL	272	0.0143	15	2,414	\$0.00621	79	0.0023	2	1,351	\$0.00148		
TOTAL SALES REVENUE	18,919	1.0000	\$1,028	406,246		\$35,079	1.0000	\$1,002	416,985			
OTHER REVENUE	158											
TOTAL OPERATING REVENUE	\$19,077											

NOTES:

The total Attrition Rate Adjustment Allowance (ARA) of \$1,002,000 is prorated to each customer class based upon the class' contribution to total estimated 1985 revenue of \$35,079,000. For example, of the total ARA of \$1,002,000, 58.15% or \$583,000 is allocated to the residential class since that class is expected to produce 58.15% of the total anticipated 1985 budgeted revenue.

A rate per kWh is then calculated for each class by dividing 1985 forecast sales (kWh) into the class' share of the ARA. The residential rate of \$.00246 per kWh is calculated as \$583,000 divided by 237,262,000 kWh.