

Energy Branch

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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY  
AND COMPLIANCE DIVISION  
Energy Branch

RESOLUTION E-3212  
DECEMBER 27, 1990

R E S O L U T I O N

RESOLUTION E-3212. SIERRA PACIFIC POWER COMPANY. ORDER REVISING THE CALIFORNIA ELECTRIC TARIFFS TO REFLECT AN INCREASE IN ELECTRIC REVENUES OF \$542,000 WHICH WILL RESULT FROM OPERATIONAL AND CAPITAL-RELATED ATTRITION FOR 1991.

BY ADVICE LETTER 213, FILED ON OCTOBER 9, 1990.

SUMMARY

1. This Resolution approves an increase of \$542,000 to Sierra Pacific Power Company's (SPPC) Electric Department authorized Base Rate Revenue to offset operational and capital-related attrition in 1991. This Attrition Rate Adjustment (ARA) was filed pursuant to Ordering Paragraph 3 of Decision (D.)90-07-060.

BACKGROUND

1. In D.90-07-060 (SPPC's test year 1990 general rate case), the Commission authorized SPPC to revise its electric base rates to offset 1991 operational and financial attrition.
2. Operational attrition is a decrease in a utility's net operating income because of increase in operation and maintenance expenses related to inflation between general rate case test years.
3. Capital-related attrition is a change in a utility's net operating income because of rate base and cost of capital changes between general rate case test years.

4. In D.90-11-057(the cost of capital proceeding), the Commission adopted the 1991 capital structure and cost of capital for SPPC as shown in Attachment A.

#### NOTICE

1. Public notice of this advice letter was made by publication in the Commission calendar, and by SPPC's mailing copies to other utilities, governmental agencies, and all interested parties who requested notification.

#### PROTESTS

1. No protests were received on this advice letter.

#### DISCUSSION

1. On October 9, 1990, SPPC filed Advice Letter 213 requesting a 1991 electric base rate revenue increase of \$761,000 to offset operational and capital-related attrition, as detailed in Attachment B. SPPC's authorized 1991 ARA is \$542,000, as also detailed in Attachment B.

2. SPPC requested \$145,000 for labor inflation and \$76,000 for non-labor inflation for a total of \$221,000. These amounts were authorized in D.90-07-060.

3. SPPC requested \$540,000 for capital-related attrition items. Using the rates of return adopted for SPPC in D.90-11-057, Commission Advisory and Compliance Division (CACD) has recalculated SPPC's capital-related attrition to be \$321,000, as detailed in Attachment B.

4. SPPC's total increase amounts to \$542,000 ARA for 1991.

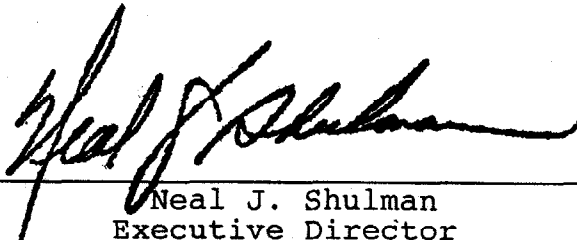
5. SPPC should compute attrition rate changes using the System Average Percent Change (SAPC) method, as is conventional. The total number of kilowatt-hours is given in D.90-07-060.

**THEREFORE, IT IS ORDERED that:**

1. Sierra Pacific Power Company (SPPC) is authorized to increase its California Electric Department authorized Base Rate Revenue by \$542,000, effective January 1, 1991.
2. SPPC is authorized to increase its electric rates using the System Average Percent Change (SAPC) method, effective January 1, 1991.
3. SPPC shall file a supplement 213-A to Advice Letter No.213 with revised Preliminary Statement and tariff schedules reflecting the increases granted herein.
4. SPPC Advice Letter 213 and its attachments shall be marked to show that they are superseded and supplemented by Advice Letter No. 213-A as ordered by Ordering Paragraph 3.
5. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 27, 1990. The following Commissioners approved it:

**G. MITCHELL WILK**  
President  
**FREDERICK R. DUDA**  
**STANLEY W. HULETT**  
**JOHN B. OHANIAN**  
**PATRICIA M. ECKERT**  
Commissioners

  
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Neal J. Shulman  
Executive Director

Attachment A

Sierra Pacific Power Company  
Summary of Capital Structures  
for Attrition Year 1991

Authorized Capital Structure 1990  
(D.90-11-057) p.41

Component	Capital Ratio	Cost Factor	Weighted Cost
Long-Term Debt	51.06%	8.47%	4.32%
Preferred Stock	6.55%	7.74%	0.51%
Common Equity	42.39%	13.00%	5.51%
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Total	100.00%		10.34%

Requested Capital Structure 1991  
(D.90-11-057) p.41

Component	Capital Ratio	Cost Factor	Weighted Cost
Long-Term Debt	49.11%	8.49%	4.17%
Preferred Stock	7.73%	7.95%	0.61%
Common Equity	43.16%	13.50%	5.83%
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Total	100.00%		10.61%

Authorized Capital Structure 1991  
(D.90-11-057) p.53

Component	Capital Ratio	Cost Factor	Weighted Cost
Long-Term Debt	49.11%	8.49%	4.17%
Preferred Stock	7.73%	7.95%	0.61%
Common Equity	43.16%	13.00%	5.61%
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Total	100.00%		10.39%

Sierra Pacific Power Company  
California Electric Department  
Revenue Requirements for Attrition Year 1991  
(\$000)

Description	Requested	Authorized
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Operational Attrition		
Labor inflation	145	145
Non-Labor inflation	76	76
Other	0	0
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Total Operational Attrition	221	221
Capital-Related Items		
Book Depreciation	168	168
Ad Valorem Taxes	25	25
State Tax Depreciation	(13)	(13)
Federal Tax Depreciation	(56)	(56)
Long Term Debt Cost 1/	(67)	(67)
Preferred Stock Cost 1/	105	105
Common Equity Cost 1/	378	159
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Total Capital-Related Expense	540	321
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Total 1991 ARA Base Revenue Change	761	542
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Previously Authorized Base Rate Revenue		22,128
Add: Attrition Increase for 1991		542
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Adopted Base Rate Revenue for 1991		22,670
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1/ Calculated using:

Wtd. Avg. Rate Base for 1990 of \$62,961,000  
Wtd. Avg. Rate Base for 1991 of \$63,657,000  
Authorized Capital Structure for 1990 (D.90-11-057 p.41)  
Requested Capital Structure for 1991 (D.90-11-057 p.41)  
Authorized Capital Structure for 1991 (D.90-11-057 p.53)