

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND  
COMPLIANCE DIVISION  
Energy Branch

RESOLUTION E-3402  
DECEMBER 21, 1994

**R E S O L U T I O N**

RESOLUTION E-3402. SIERRA PACIFIC POWER COMPANY  
REQUESTS AUTHORITY TO APPLY AN ANNUAL ATTRITION  
ADJUSTMENT AND ADJUST ITS RATES.

BY ADVICE LETTER 239-E, FILED ON OCTOBER 20, 1994 AND  
ADVICE LETTER SUPPLEMENT 239-E-A, FILED ON DECEMBER 9,  
1994.

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**SUMMARY**

1. Sierra Pacific Power Company (Sierra) has filed for an Attrition Rate Adjustment (ARA) as authorized in Decision (D.) 93-04-056 in Application (A.) 92-05-040. The requested revenue increase is \$1,532,000 (3.73%). By its supplemental filing, Sierra would voluntarily accept a lesser increase of \$1,000,000 (2.43%).
2. This Resolution authorizes Sierra's supplemental request, effective on January 1, 1995.

**BACKGROUND**

1. An ARA enables a utility to request rate changes for operational and financial attrition between general rate case proceedings. Sierra was authorized to implement an ARA by D. 93-04-056.
2. Sierra calculated the annual revenue increase of \$1,532,000 in compliance with the methodology established in D.93-04-046 and Decision 93-04-062 (a decision that clarified the computational method). The increased revenue requirement, 3.73% of total revenues, has been spread to rate classes using the System Average Percentage Change method.
3. Sierra and Washington Water Power Company are negotiating a merger of the two companies. The utilities have filed Application 94-08-043 seeking Commission authorization for the merger. The Commission's Division of Ratepayer Advocates (DRA) is a party to the proceeding and has been negotiating with the utilities concerning a modification to Sierra's Rate Case Plan, as set forth in Commission Decision 89-01-040. On December 9, 1994, DRA submitted to the presiding Administrative Law Judge a

conditional withdrawal of its protest to the utility's petition to modify the Rate Case Plan. DRA's submittal contained the following statement:

... Sierra has informed DRA that it will be voluntarily reducing its 1995 attrition filing, Advice Letter No. 239-E, dated October 20 1994, from a \$1,532,000 increase (3.73%) to a \$1,000,000 increase (2.43%).... Sierra has informed DRA that it intends to maintain its 1995 base rate level through 1996 in the event that the merger is not approved. Sierra also informed DRA that it would not seek any rate increase associated with the Commission's 1996 Cost of Capital determination. Together, these three actions result in a \$532,000 reduction (1.43%) in rates that the utility would otherwise have been entitled to in 1995 plus the freezing of base rates through 1996. DRA believes these actions will result in acceptable base rate levels until the requested TY 1997 general rate case.

4. The supplemental annual revenue increase of \$1,000,000 was determined as described in the DRA submittal. The increased revenue requirement, 2.43% of total revenues, has been spread to rate classes using the System Average Percentage Change method.

5. Sierra requests that its supplemental filing be made effective on January 1, 1995, which is more than 40 days from the date of the original advice letter filing, but only 22 days from the date of the supplemental advice letter filing.

**NOTICE:**

1. Public notice of this filing has been made by publication in the Commission's calendar and by mailing copies to interested parties specified by General Order 96A.

**PROTESTS**

1. The Commission Advisory and Compliance Division (CACD) has received no protests to Sierra's advice letter filing.

**DISCUSSION**

1. CACD has reviewed Sierra's calculations. CACD is of the opinion that the filing has been prepared in accordance with the requirements of past Commission Decisions.

2. Sierra's voluntary request for a lesser increase, as set forth in the utility's supplemental filing, will benefit Sierra's ratepayers. General Order 96A generally limits supplemental filings to relatively minor changes. This supplemental filing

would lower a requested increase from 3.73% to 2.43%. While such a change is different from those used as examples in the General Order, it is still relatively minor when compared to the utility's over all rates. In addition, by placing the supplemental filing into effect, rather than authorizing the original filing and subsequently authorizing yet another filing, the vexatious problem of an increase in rates closely followed by a subsequent reduction is avoided. Finally, Sierra is not precluded from seeking further rate changes if there are changes to the merger negotiations that lead the utility to such a course of action.

3. CACD has reviewed the supplemental filing and recommends approval of that filing on the date requested by Sierra, January 1, 1995.

#### FINDINGS

1. The revenue increase requested in Advice Letter 239-E was computed in conformance with Commission D.93-04-056 and D.93-04-062.

2. The rate changes originally proposed by Sierra are in conformance with prior Commission Decisions.

3. Sierra and Washington Water Power Company are negotiating a merger of the two companies. The utilities have filed Application 94-08-043 seeking Commission authorization for the merger.

4. The Commission's Division of Ratepayer Advocates (DRA) is a party to the merger proceeding. A DRA submittal dated December 9, 1994 stated that Sierra will be voluntarily reducing its 1995 attrition filing, Advice Letter No. 239-E, dated October 20 1994, from a \$1,532,000 increase (3.73%) to a \$1,000,000 increase (2.43%)

5. Sierra filed its supplemental Advice Letter for a lesser revenue requirement of \$1,000,000 or 2.43% of total revenues, on December 9, 1994.

6. The \$1,000,000 increase has been spread to rate classes using the System Average Percentage Change method.

7. Sierra's voluntary request for a lesser increase will benefit Sierra's ratepayers.

8. While not as minor as the examples cited in General Order 96A, Sierra's supplemental filing is a relatively minor change which would avoid the vexatious problem of an increase in rates closely followed by a subsequent reduction.

December 21, 1994

9. Sierra is not precluded from seeking further rate changes if there are changes to the merger negotiations that lead the utility to such a course of action.

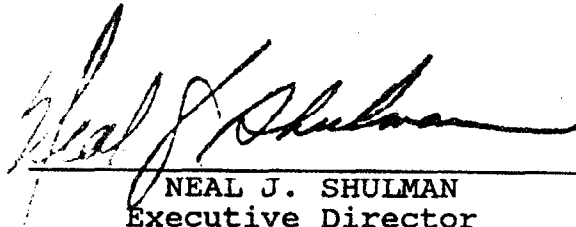
10. Sierra should be authorized to place its supplemental filing into effect on January 1, 1995.

**THEREFORE, IT IS ORDERED that:**

1. Supplemental Advice Letter 239-E-A shall be marked to show that it, with the attached tariff sheets, was approved by Commission Resolution E-3402, with an effective date of January 1, 1995.

2. This resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 21, 1994. The following Commissioners approved it:



NEAL J. SHULMAN  
Executive Director

DANIEL Wm. FESSLER  
President  
PATRICIA M. ECKERT  
NORMAN D. SHUMWAY  
P. GREGORY CONLON  
JESSIE J. KNIGHT, Jr.  
Commissioners