



California Public Utilities Commission

505 Van Ness Avenue, San Francisco, CA 94102 – 3298

NEWS RELEASE

Office of Ratepayer Advocates

CONTACT: Danilo Sanchez, Project Manager
415-703-2771

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ORA PROPOSES REDUCTION TO SIERRA PACIFIC POWER COMPANY'S GENERAL RATE INCREASE REQUEST OF \$4.5 MILLION

The Office of Ratepayer Advocates (ORA), an independent division of the California Public Utilities Commission (PUC), today issued its report addressing Sierra Pacific Power Company's (Sierra Pacific) request to increase rates in its California service territory. This report is issued in response to Phase 2 of A.01-06-041, which Sierra Pacific filed with the Commission on April 1, 2002 and amended on December 18, 2002. Sierra Pacific serves customers in the Lake Tahoe area and throughout the counties of Nevada, Placer, Sierra, Plumas, Eldorado, Mono and Alpine in California.

ORA proposes an electric rate increase of \$1.6 million (or 3.3%) in 2003 for Sierra Pacific's California jurisdiction in contrast to Sierra Pacific's requested rate increase of \$4.8 million (or 9.2%). In its initial application, Sierra Pacific filed for an electric base rate increase of \$8.9 million (or 17.8%). After substantial discovery conducted by ORA, Sierra Pacific amended its showing and reduced its request to a \$4.8 million increase.

ORA conducted a thorough investigation, review and audit of Sierra Pacific's projected revenues, sales, operational and maintenance expenses, customer-related and administrative expenses, and capital expenditures and developed its own independent forecasts. The primary differences between ORA and Sierra Pacific's forecasts are due to: lower ORA estimates of operational and maintenance, customer service, and administrative costs, a lower ORA forecast of company uncollectibles, the use of more recent escalation factors by ORA, lower ORA forecasts of capital investment in the California distribution and electric transmission system, ORA's removal of capital investment and expenses associated with the CIS Banner system that is not used to serve California customers, and adjustments made by ORA to

remove all past transaction costs associated with the Nevada Power merger and generation divestiture costs from Sierra Pacific's request.

Evidentiary hearings in this proceeding will begin on April 9 at the Commission's headquarters in San Francisco.

ORA is an independent arm of the PUC, created by the Legislature to represent the interest of all residential and business customers throughout the state in fair rates and reliable service. ORA has a multidisciplinary staff with expertise in economics, finance, accounting and engineering. ORA's views do not necessarily reflect those of the PUC.

The ORA report on Sierra Pacific's GRC request will be available by February 28, on its website at www.ora.ca.gov.

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