

Decision 12-04-026 April 19, 2012

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of California Pacific Electric Company, LLC (U933E) for an Order Modifying Decision 09-10-041, Granting Waiver of the Three Year Filing Requirement contained in Decision 07-07-004 and Increasing General Rates Pursuant to the Post Test Year Adjustment Mechanism Attrition Factor for 2012.

Application 11-11-013  
(Filed November 14, 2011)

**DECISION MODIFYING DECISION 09-10-041  
EXTENDING THE TERM OF AN ATTRITION FACTOR,  
DEFERRING A GENERAL RATE CASE APPLICATION BY ONE YEAR, AND  
INCREASING GENERAL RATES PURSUANT TO AN ATTRITION FACTOR**

**Summary**

This decision authorizes California Pacific Electric Company, LLC<sup>1</sup> to extend the use of its Post Test Year Adjustment Mechanism (PTAM) one year to 2012 from 2011, to file its next General Rate Case in 2012 rather than 2011, and to increase its general rates pursuant to the PTAM Attrition Factor for 2012, effective the date of this decision.

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<sup>1</sup> California Pacific Electric Company, LLC also does business in California as "Liberty Energy - California Pacific Electric Company."

## 1. Background

California Pacific Electric Company, LLC (CalPeco) acquired Sierra Pacific Power Company's (Sierra) electric distribution system within California and the Kings Beach Generating Station, effective as of January 1, 2011.<sup>2</sup> As part of the transaction, CalPeco agreed to "operate within the existing rate case cycles now in effect for Sierra, including for general rates and [Energy Cost Adjustment Clause] ECAC rates."

Sierra, and now CalPeco, is required to file a general rate case (GRC) every three years, pursuant to Decision (D.) 89-10-040 and as affirmed by D.07-07-004.

The Commission's most recent GRC, covering a test year of 2009, was implemented by D.09-10-041. That decision adopted a PTAM attrition method for 2010 and 2011, the two years following the test year. The Attrition Component of the PTAM is based on the September Global Insight U.S. Economic Outlook forecast for consumer price index (CPI), minus 0.5% productivity factor (but not less than zero). Rate changes under the PTAM would be filed by advice letter starting in October 2009 with an effective date of January 1, 2010.

CalPeco asserts that it originally planned to file its GRC application in August 2011 – the timeframe that Sierra would have filed its GRC application had it remained the owner of the utility. However, after discussions with the Division of Ratepayer Advocates (DRA), CalPeco asserts that it determined that

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<sup>2</sup> CalPeco adopted Sierra's Post Test Year Adjustment Mechanism (PTAM) as part of its acquisition of Sierra in D.10-10-017. See Joint Application of Sierra Pacific Power Company (U903E) and California Pacific Electric Company, LLC for Transfer of Control and Additional Requests Relating to Proposed Transaction, D.10-10-017, Appendix 3, Regulatory Commitment 3(c) (Oct. 14, 2010).

it would be in the best interests of CalPeco's ratepayers if it deferred CalPeco's next GRC application by approximately six months.

CalPeco filed Advice Letter 10-E on October 14, 2011 and requested authority to utilize the PTAM to increase rates employing an attrition factor in those years in which a GRC application is not filed. DRA protested CalPeco's Advice Letter 10-E on November 3, 2011 asserting that CalPeco should "submit its request in an application rather than an advice letter filing." CalPeco voluntarily withdrew its Advice Letter 10-E on November 10, 2011 stating that it would "seek the same approval sought in Advice Letter 10-E through the application process." CalPeco's Application requests approval of the same increase to general rates to also become effective on the date of this decision as CalPeco initially requested in Advice Letter 10-E and consistent with the PTAM approved in D.09-10-041.

## **2. Request**

CalPeco seeks to: 1) extend the use of its PTAM one additional year to 2012; 2) defer its 2012 GRC application until early 2012; and 3) increase its general rates pursuant to the PTAM Attrition Factor for 2012, effective the date of this decision.

## **3. Discussion**

CalPeco contends that approval of its requests would benefit its California ratepayers, the Commission, and itself. CalPeco asserts that the Commission, CalPeco, and its customers will benefit from the additional information that will result from CalPeco being able to have a full year of actual operating and financial data to use in the evaluation and prosecution of CalPeco's first GRC application. CalPeco also asserts that the Commission has consistently recognized that the use of attrition mechanisms, like the PTAM, is in the public

interest; that timely adjustments through attrition mechanisms enable “utility rates [to] better reflect actual costs” and best ensure “the financial health of the energy utilities;” and that use of the PTAM here will similarly be in the public interest.

No protests have been received.

In September 2011, Global Insight released its forecast of CPI. Based on the CPI Forecast for 2012 of 1.65% less a productivity factor of 0.5%, the PTAM Attrition Factor for 2012 is 1.15%.

Application of the PTAM Attrition Factor for 2012 to rates currently in effect will result in a proposed rate increase of approximately \$ 278,821 or 1.15%. ECAC and surcharge revenues are excluded from this adjustment mechanism.

For the rate change associated with the PTAM Attrition Factor for 2012, the overall PTAM percentage change has been applied to all rate components which were approved in Sierra Pacific Advice Letter 364-E. Consistent with the terms of the PTAM, the proposed increase would result in the following changes by customer class, effective the date of this Decision:

| Customer Class           | Increase (\$) | Increase (%) |
|--------------------------|---------------|--------------|
| Residential              | \$159,669     | 1.15         |
| Small Commercial         | \$52,798      | 1.15         |
| Medium Commercial        | \$22,962      | 1.15         |
| Large Commercial         | \$41,262      | 1.15         |
| Interruptible Irrigation | \$68          | 1.15         |
| Street Lights            | \$893         | 1.15         |
| Outdoor Lighting         | \$1,169       | 1.15         |

#### **4. Category and Need for Hearing**

In Resolution ALJ 176-3285, dated December 1, 2011, the Commission preliminarily categorized this proceeding as ratesetting and preliminarily determined that hearings would not be necessary. Based on the record, we affirm that this is a ratesetting proceeding and that hearings are not necessary.

#### **5. Waiver of Comment Period**

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2) and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

#### **6. Assignment of Proceeding**

Mark J. Ferron is the assigned Commissioner and Richard W. Clark is the assigned Administrative Law Judge in this proceeding.

#### **Findings of Fact**

1. CalPeco is required to file test year GRC applications every three years.
2. CalPeco seeks to extend the use of its PTAM one additional year to 2012.
3. CalPeco also seeks to defer the filing of its 2013 test year GRC proceeding from late 2011 until early 2012.
4. Application of the PTAM Attrition Factor for 2012, to rates currently in effect, will result in a proposed rate increase of approximately \$ 278,821 or 1.15%.
5. There were no protests to this application.

#### **Conclusion of Law**

1. The preliminary categorizations of ratesetting and no need for hearings should be affirmed.

2. D.09-10-041 should be modified so that CalPeco's PTAM should be extended one additional year to 2012 and its 2013 test year GRC application filed no later than April of 2012.

3. The following order should be effective immediately.

**O R D E R**

**IT IS ORDERED** that:

1. Decision 09-10-041 is modified so that California Pacific Electric Company, LLC's Post Test Year Adjustment Mechanism shall be extended one additional year to include the 2012 calendar year.

2. Within 30 days of today's date, California Pacific Electric Company, LLC shall file a Tier 1 advice letter with tariffs to implement the 2012 attrition factor increase approved by this order. These new rates shall become effective on the filing of the advice letter, subject to the Energy Division determining that they are in compliance with this Order.

3. California Pacific Electric Company, LLC shall deviate from its three-year general rate case (GRC) cycle set forth in Decision 07-07-004 by filing its scheduled 2013 test year GRC application before April 30, 2012.

4. Application 11-11-013 is closed.

This order is effective today.

Dated April 19, 2012, at San Francisco, California.

MICHAEL R. PEEVEY

President

TIMOTHY ALAN SIMON

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

MARK J. FERRON

Commissioners