



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

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Joint Application of Sierra Pacific Power)
Company and California Pacific Electric)
Company, LLC for Transfer of Control and) Application 09-10-028
Additional Requests Relating to Proposed)
Transaction)
_____)

**PROTEST OF PLUMAS COUNTY
AND REQUEST FOR EVIDENTIARY HEARING**

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AND REQUEST FOR EVIDENTIARY HEARING**

In accordance with Rule 2.6 of the Commission’s Rules of Practice and Procedure, Plumas County hereby Protests the Joint Application of Sierra Pacific Power Company (“SPPC”) and California Pacific Electric Company, LLC (“CalPeco”) (together the “Joint Applicants”) for authorization pursuant to Public Utilities Code (“PU Code”)¹ §854(a) to transfer control of the assets and operations that make-up SPPC’s California electric distribution system, as well as its Kings Beach Generating Facility to CalPeco. In addition to requesting approval under §854(a), the Joint Applicants request authorization for certain other requests that are allegedly related to the proposed transfer of ownership and control of the California electric facilities. Plumas County requests that the Joint Application be set for hearing.

The Joint Application of Sierra Pacific Power Company and California Pacific Electric Company, LLC for Transfer of Control and Additional Requests Relating to Proposed Transaction (“Joint Application”) was filed with the Commission on October 16, 2009. Notice of the filing of the Joint Application first appeared in the Commission’s Daily Calendar on October 26, 2009. Therefore, Plumas County’s Protest is timely filed.

I. IDENTIFICATION OF PROTESTANT

Plumas County is located in Northeastern California where the Sierra Nevada and Cascade mountain ranges meet. The county seat is Quincy. Plumas County covers a total of

¹ Unless stated to the contrary, all statutory references are to the Public Utilities Code.

2,613 square miles, of which more than 1 million acres are national forests. The population of Plumas County, as determined by the 2000 census, was 20,824, with approximately 9,000 households and 6,047 families residing in the County. The median annual income for a household in the County was \$36,351 and the median income for a family was \$46,119.

Plumas County, with elevations ranging from 3,500 to 8,300 feet, is generally above the snow line. Transportation infrastructure is limited, with the County being served by five State Highway Routes. Electric service to residents of Plumas County is fragmented with Pacific Gas and Electric Company providing some service in the northern portions of the County, SPPC providing service to some areas, principally around the City of Portola, and Plumas-Sierra Rural Electric Cooperative (“PSREC”) providing service to the remainder of the County’s residents that receive electric distribution service.

II. CORRESPONDENCE

All correspondence and communications with respect to this Protest and Request for Evidentiary Hearing should be addressed as follows:

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III. GROUNDS FOR PROTEST

Plumas County has reviewed the Protest of Plumas-Sierra Rural Electric Cooperative and Request for Hearing and hereby incorporates by reference and adopts that portion of PSREC’s Protest that addresses the quality of service and reliability of electric service as it relates to

residents and businesses located in Plumas County² as well as the discussion on the impact of the transaction on local communities.³

Plumas County confirms that SPPC's electric reliability to its customers located in Plumas County has been very poor with numerous outages, especially in winter months, that can last for prolonged periods. For the most part, SPPC does not maintain crews in Plumas County. Instead, it has a single lineman that is located in Portola, who is totally overwhelmed when there are outages. CalPeco does not purport to change this arrangement, nor does it propose to take any steps to build new capital facilities that would improve reliability to its electric service territory in Plumas County.

Furthermore, Plumas County is very concerned that electric reliability will get even worse. At one time, SPPC maintained backup generators at Portola that could be used in the event of an interruption on the lines that serve its Plumas County service territory. Until recently, SPPC purchased electricity from Sierra Pacific Industries' ("SPI") biomass plant at Loyaltan, in Sierra County ("the "Loyaltan Generator"). Both of these facilities offered sources of local generation that were important for electric reliability in Plumas County in the event there was an outage on the SPPC lines that serve the area. However, both of these sources of local generation have now been terminated and CalPeco does not propose any alternatives that would improve reliability to its proposed Plumas County ratepayers. In addition, we are advised that SPPC has terminated its arrangements with PSREC regarding the construction of and payment for the Fort Sage Transmission Line. This could further jeopardize reliable electric service to Plumas County residents.

Plumas County is also concerned with the economic impact of the proposed transaction. Plumas County residents are not wealthy and we believe that the impact of the various rate arrangements must be carefully examined to ensure that they are fair to California ratepayers. For example, we fail to understand why the rate treatment for the Kings Beach Generation Facility is in the interest of ratepayers located in the California service territory. SPPC's California electric customers used to pay 6 percent of the costs of such generator. However, under the proposed new arrangement with CalPeco, California electric ratepayers will

² This includes Section IV A. of PSREC's Protest.

³ Id. Section IV B.

now own 100% of the generator and will pay 50% of its costs after reimbursement from SPPC. The agreement by which SPPC reimburses CalPeco expires in 20 years.⁴ Arrangements, such as these, must be carefully examined to ensure that the resulting rates are just and reasonable.

Finally, Plumas County notes that under the proposed arrangements, SPPC will have a veto power over CalPeco's ability to obtain RPS-eligible power from other sources. SPPC has the right to reject any CalPeco RPS initiative if it could "possibly" harm SPPC's Nevada customers or SPPC's own ability to satisfy its RPS obligations. In other words, the proposed transaction is structured so that SPPC's RPS requirements seem to take precedence over CalPeco's.

IV. ALTERNATIVES AND MITIGATION MEASURES

Public Utilities Code §854(d) requires that the Commission consider reasonable options to the proposal to determine whether comparable short-term and long-term economic savings can be achieved through other means while avoiding the possible adverse consequences of the proposal. Plumas County understands that PSREC submitted an indicative bid to SPPC to purchase SPPC's electric distribution system in Plumas County, as well as Sierra County, which is located directly south of Plumas County. As noted above, PSREC already provides electric service in Plumas County. In addition, PSREC maintains its headquarters on the outskirts of the City of Portola, which is located in Plumas County and it has electric crews that are locally located. PSREC also provides other services, such as television, wireless, dial-up, cellular and high speed internet service to Plumas County residents. Having PSREC acquire SPPC's electric distribution service in Plumas County is far preferable than having CalPeco acquire it as part of a larger acquisition. The acquisition of such facilities by PSREC would further the public interest; the acquisition by CalPeco would not. The Commission should require SPPC or CalPeco to divest themselves of the electric facilities that are located in Plumas County and sell the facilities to PSREC. This can be done on the same terms and conditions as were agreed to by SPPC and CalPeco.

Even with the divestiture of the electric facilities in Plumas County to PSREC, additional mitigation measures are required. While PSREC has crews located in the area, additional capital

⁴ Joint Application at 55.

facilities are required to maintain electric reliability. Up until recently, SPPC and PSREC were taking positive actions to improve electric reliability to customers in Plumas County by agreeing on the principles that would govern the construction of and payment for the Fort Sage Electric Transmission Line. Once the application to consummate the proposed transaction with CalPeco was filed, however, SPPC terminated this arrangement. The effect of this decision is to jeopardize reliable electric service to Plumas County residents. As a condition of SPPC's divestiture of its California electric distribution system, whether it be to PSREC (which would be Plumas County's definite preference) or to CalPeco, the Commission should insist that as a condition of the sale SPPC go forward with the arrangements negotiated with PSREC for construction of the Fort Sage Transmission Line. SPPC should not be allowed to walk away from an electric distribution system where electric reliability has been such a problem.

V. THE JOINT APPLICATION SHOULD BE SET FOR HEARING

Plumas County requests that the Commission set this matter for hearing. Plumas County intends to participate in such a hearing and to present evidence and cross-examine with respect to conditions that should be imposed to improve reliability, as well as the impact of the proposed transaction on local economies. Plumas County would provide testimony on why it supports the sale of the SPPC's electric distribution system in Plumas County to PSREC rather than CalPeco. Such a sale would lead to additional short-term and long-term benefits, such as increased reliability, while allowing Plumas County residents to enjoy the benefits associated with public ownership through a local rural electric cooperative.

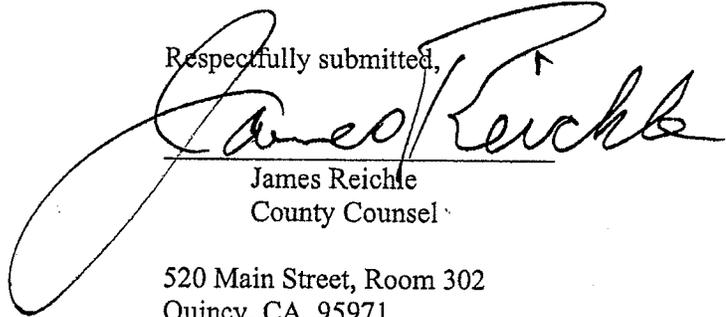
VI. CONCLUSION

For the reasons set forth above, Plumas County protests SPPC and CalPeco's Joint Application. Plumas County requests that the Commission consider the County's preference that the portion of SPPC's electric distribution system that is located in Plumas County be sold to PSREC. Furthermore, because of reliability issues, the Commission should condition any sale by SPPC of its electric distribution system in California on the condition that SPPC construct the

Fort Sage Transmission Line using the same principles that were previously discussed and agreed upon with PSREC.

Dated: November 23, 2009

Respectfully submitted,

A large, stylized handwritten signature in black ink, appearing to read "James Reichle". The signature is written over a horizontal line. A small black arrow points to the top of the letter "e" in "Reichle".

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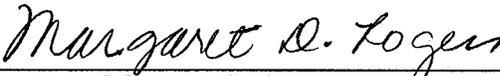
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CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedure, I have this day served a true copy of **PROTEST OF PLUMAS COUNTY AND REQUEST FOR EVIDENTIARY HEARING** on the attached service list. Service was effected by one or more means indicated below:

- Placing the copies in properly addressed sealed envelopes and depositing such envelopes in the United States mail with first-class postage prepaid (*Via First Class Mail*).
- Placing the copies in sealed envelopes and causing such envelopes to be delivered by hand to the offices of each addressee (*Via Courier*).
- Transmitting the copies via facsimile, modem, or other electronic means (*Via Electronic Means*).

Executed in Walnut Creek, California on November 23, 2009.



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