



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

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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

Application 09-10-028
(Filed October 16, 2009)

**JOINT PREHEARING CONFERENCE STATEMENT OF
SIERRA PACIFIC POWER COMPANY (U903E) AND
CALIFORNIA PACIFIC ELECTRIC COMPANY, LLC**

Christopher A. Hilen
Associate General Counsel
Sierra Pacific Power Company
6100 Neil Road
Reno, NV 89511
Tel. (775) 834-5696
Fax. (775) 834-4811
Email: chilen@NVEnergy.com

Steven F. Greenwald
Mark J. Fumia
Vidhya Prabhakaran
Davis Wright Tremaine LLP
Suite 800
505 Montgomery Street
San Francisco, CA 94111-6533
Tel. (415) 276-6500
Fax. (415) 276-6599
Email: stevegreenwald@dwt.com

Attorneys for California Pacific Electric
Company, LLC

January 19, 2010

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

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.

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SIERRA PACIFIC POWER COMPANY (U903E) AND
CALIFORNIA PACIFIC ELECTRIC COMPANY, LLC**

Sierra Pacific Power Company (U903E) (“Sierra”) and California Pacific Electric Company, LLC, (“CalPeco,” and together with Sierra, the “Joint Applicants”) respectfully submit this joint prehearing conference statement.¹

I. PROCEDURAL MATTERS

A. Proposed Procedural Schedule

Joint Applicants do not believe that any purpose is served by subjecting the Joint Applicants, the Commission staff, and the customers and employees of the California Utility to a prolonged proceeding. In fact, as noted in the Joint Applicant’s reply, the International Brotherhood of Electrical Workers, Local Union 1245, which represents almost all of the non-management employees of the California Utility, has emphasized the concern of its members regarding an unduly, prolonged regulatory process.² Therefore, set forth below is the procedural schedule proposed by Joint Applicants:

¹ Capitalized terms not defined herein shall have the meanings assigned to such terms in the Joint Application.

² See November 30, 2009 letter from Tom Dalzell, Business Manager, IBEW Local Union 1245 to Commissioner Dian Grueneich attached as Exhibit A.

Milestone	Date Proposed by Joint Applicants
Prehearing Conference	January 20, 2010
Scoping Memo Issued	February 3, 2010
DRA Report/Intervenors Report (to the extent that the Commission determines that any of the issues raised by the intervenors remain)	March 1, 2010
Parties Commence Informal Settlement Discussions	March 2, 2010
Joints Applicants' Response to DRA Report/Intervenors Report	April 1, 2010
Parties Commence Formal Alternative Dispute Resolution (if necessary)	April 1, 2010
Evidentiary Workshop	April 14, 2010
Opening Briefs Filed	May 14, 2010
Reply Briefs Filed	May 31, 2010
Proposed Decision ("PD") Issued	June 30, 2010
Initial Comments to PD (if necessary)	July 20, 2010
Reply Comments to PD (if necessary)	July 25, 2010
Final Commission Decision	July 29, 2010

Joint Applicants believe that there are no disputed issues of material fact and that no hearings will be needed. Therefore, Joint Applicants have not included a date for hearings

within its schedule. To the extent that any issues of material fact do exist, Joint Applicants believe that a workshop will suffice and ensure a better flow of information between the parties.

The schedule is designed to include two procedural paths – one for a settlement and one for a determination by the Commission. In the event that the parties are able to reach a settlement, the parties will file a motion to approve the settlement in lieu of opening briefs. Joint Applicants request that the Commission adopt the procedural schedule above.

B. Public Participation Hearings

The City of Portola has requested that the Commission order that a “local” hearing be held in the City of Portola. Joint Applicants believe that if the Commission decides to hold a public participation hearing, it should be held in a centrally-located portion of the service territory such as Kings Beach or South Lake Tahoe.

II. SCOPE OF PROCEEDING

A. Issues to be decided in A.09-10-028

The Joint Applicants believes that the following issues are within the scope of this proceeding:

1. Section 854(a). Joint Applicants assert that the proposed transaction is in the public interest under Section 854(a).
2. CPCNs. Joint Applicants assert that, assuming that the Commission authorizes the sale of Sierra’s California Utility to CalPeco under Section 854, the Commission should transfer to CalPeco the CPCNs held by Sierra that are necessary to enable CalPeco to serve the electric customers resident within the service territory of the California Utility.
3. Authority to Encumber Assets Under Sections 816, 818 and 851. Joint Applicants assert that, assuming that the Commission authorizes the sale of Sierra’s California

Utility to CalPeco under Section 854, the Commission should authorize, in accordance with sections 816, 818 and 851, CalPeco to encumber its utility properties in connection with obtaining debt to finance a portion of its acquisition.

4. Distribution Capacity Agreement and Approval of Operating Agreements.

Joint Applicants assert that the Commission should assert its regulatory jurisdiction over the Distribution Capacity Agreement and approve the Operating Agreements as described in the Joint Application. Joint Applicants also request that the Commission determine in this proceeding whether the generation from Sierra's Valmy power plant may be included as part of the system portfolio of power through which Sierra sells CalPeco its full power purchase requirements

5. Ratemaking Adjustments. Joint Applicants assert that the Commission should authorize certain accounting adjustments in ratemaking (even as customer rates by class will remain unchanged) as described in the Joint Application.

6. Emera Minimum Hold Condition. Joint Applicants assert that the Commission should not impose the Emera Minimum Hold Condition, as described in the Joint Application, as a condition of approving the transfer of control of the California Utility from Sierra to CalPeco.

7. Internal Transfer Approval. Joint Applicants assert that the Commission should approve the Internal Transfer Approval described in the Joint Application.

8. CEQA Review. Joint Applicants assert that CEQA review is not necessary in this proceeding.

B. Issues to be excluded from A.09-10-028

Protests to the Joint Application were filed by Plumas-Sierra Rural Electric Cooperative ("Plumas-Sierra"), City of Loyalton ("Loyalton"), City of Portola ("Portola"), Sierra County and

Plumas County (collectively the “Plumas Parties”) and Truckee-Donner Public Utilities District (“Truckee-Donner”).³ The Joint Applicants assert that certain of the issues set forth in the protests filed by the Plumas Parties should be excluded from this proceeding. The reasons supporting Joint Applicants’ request that the Commission exclude these issues from the proceeding are more fully set forth in their respective responses to the protests, however fundamentally the Joint Applicants believe that the Commission, consistent with Commission precedent, should exclude issues that while related to the interests of the protesting party are independent of the proposed change of control.⁴

The issues Joint Applicants propose to be excluded include, but are not limited to, the following:⁵

1. Requests that the proposed transaction is subject to Sections 854(b) and (c). These provisions are only applicable to changes of control involving utilities with annual revenues in excess of \$500 million annually;
2. Requests by the Plumas Parties that the Commission consider in this proceeding in accordance with Section 854(d) as an “alternative” to the proposed sale of the California Utility to CalPeco the sale to Plumas-Sierra of Sierra’s electric distribution facilities within Portola and Loyalton and the expansion of the Plumas-Sierra service territory to be able to serve such customers. This proposal which involves a “miniscule portion of the proposed transaction” does not constitute a “reasonable option” to the proposed transaction and thus does

³ Sierra and CalPeco separately filed replies to these protests on December 7, 2009.

⁴ D.06-11-09, mimeo at 11-12. In approving a change of control of Wild Goose Storage Inc., the Commission uniformly excluded from the proceeding issues raised which related to the financial or economic interests of the protesting party and which were independent of the proposed change of control.

⁵ The reasons supporting Joint Applicants’ request that the Commission exclude these issues from the proceeding are set forth in their respective responses to the protest.

not trigger a need for Section 854(d) consideration.⁶ Moreover, the existing service territory between Sierra and Plumas-Sierra were established in D.47989 and Plumas-Sierra may not seek to modify this decision through a protest in this proceeding;

3. FERC jurisdictional transmission projects and services including the concerns relating to the Fort Sage Transmission project and associated substation;

4. Issues relating to the operating status of the Loyalton Generator and issues relating to the contractual relationship between the Loyalton Generator and Sierra;⁷ and

5. Micro-operating issues, such as the appropriate staffing level in Portola, in the event that the Commission approves the sale of the California Utility to CalPeco.

III. CONCLUSION

The Joint Applicants respectfully request that the Commission address the issues identified herein at the prehearing conference and will be prepared to resolve any of the Commission's concerns with respect to the recommended procedural schedule and scope of issues.

⁶ See D.07-05-031, mimeo at 4.

⁷ Sierra Pacific Industries sent a letter to the Commission's Docket Office stating that it had reached a settlement in principal of its dispute with Sierra relating to the Loyalton Generator. See Exhibit B.

Respectfully submitted,

/s/

Christopher A. Hilten
Associate General Counsel
Sierra Pacific Power Company
6100 Neil Road
Reno, NV 89511
Tel. (775) 834-5696
Fax. (775) 834-4811
Email: chilen@NVEnergy.com

/s/

Steven F. Greenwald
Mark J. Fumia
Vidhya Prabhakaran
Davis Wright Tremaine LLP
Suite 800
505 Montgomery Street
San Francisco, CA 94111-6533
Tel. (415) 276-6500
Fax. (415) 276-6599
Email: stevegreenwald@dwt.com

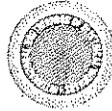
Attorneys for California Pacific Electric
Company, LLC

January 19, 2010

EXHIBIT A

**November 30, 2009 letter from Tom Dalzell, Business Manager, IBEW Local Union 1245 to
Commissioner Dian Grueneich**

IBEW



LOCAL UNION 1245

30 ORANGE TREE LANE
VACAVILLE, CA 95687
P.O. BOX 2517, VACAVILLE, CA 95696

707-452-2500
FAX (707) 452-2701

30 November 2009

VIA EMAIL AND US MAIL

Commissioner Dian Grueneich
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Application No.09-10-028; Local 1245 Support of Transfer of Control Application

Dear Commissioner Grueneich:

We write in support of the 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 ("Application"), and urge the Commission to approve the Application promptly.

Local 1245 of the International Brotherhood of Electrical Workers (IBEW) ("Local 1245") has for a number of years represented almost all of the non-management employees who operate Sierra's Northern Nevada and California service territories. These employees are currently covered under one collective bargaining agreement with Sierra.

The members of Local 1245 are a hard-working, motivated, and highly skilled union workforce that has helped Sierra respond to the many service challenges inherent in providing reliable electric service in a mountainous terrain with severe weather conditions. We look forward to playing the same vital role with CalPeco to maintain and enhance the quality of service, and to ensure the reliability of that service, to its customers within California. We believe that with the help and support of our members, CalPeco has the ability and experience to do so.

Officials of Local 1245 have had an introductory meeting and several discussions with CalPeco regarding its intentions with respect to the current Sierra employees. CalPeco representatives have also met with our members who will be affected by the transaction on several occasions. A primary purpose of these initial discussions has been to minimize the uncertainty regarding the transaction which our members naturally feel. They are obviously concerned about the status of their employment once the transaction closes. These discussions have enabled us to learn about CalPeco and its intentions regarding our members.

These discussions have also resulted in CalPeco and Local 1245 signing a Memorandum of Understanding ("MOU"). A key component of the MOU is that, subject to this Commission approving the transaction and CalPeco being authorized to complete its purchase, CalPeco has agreed to offer employment to all the non-management employees of Sierra who currently hold positions with responsibility for the operation and maintenance of the California assets to be transferred to CalPeco. Both Local 1245 and CalPeco believe that most of these affected

employees will accept CalPeco's offer of employment, and that Local 1245 will continue to be the bargaining agent for these employees as employees of CalPeco.

Based on our initial meetings with CalPeco, we are confident that Local 1245 and CalPeco will be able to work together to negotiate a new collective bargaining agreement in a positive and cooperative manner. We also believe that CalPeco's local presence, smaller size, resulting sharper focus, and ability to concentrate on matters of particular importance to California and the Lake Tahoe Basin communities will benefit its customers in terms of the quality of the service. Utilizing our members' experience and expertise, we are confident that CalPeco will maintain the reliability of service to customers.

Our primary concern about this transaction is with the uncertainty about their future that the lengthy regulatory approval process imposes on our members. We respect the regulatory process and fully understand the scrutiny the Commission must give the Application in making its determination whether this transaction is in the public interest. Nonetheless, we respectfully request that the Commission remember that our members anxiously await the Commission's decision. A prolonged regulatory process extends the awkward period in which our members are subjected to the distracting uncertainty of not knowing who exactly will be signing our paychecks in the days, weeks, and months ahead. We do not think that prolonging the decision making process will necessarily improve the decision making; on the other hand, needlessly extending the regulatory process does impose a cost on all constituents – Local 1245 members, other employees, the local communities, and, of course, Sierra's customers in California.

Local 1245 desires to move forward and work with CalPeco as soon as possible so that our members can continue to work hard and keep the lights on in California. We ask that the Commission approve the Application as soon as possible.

We thank you for this opportunity to provide our comments in support of the timely approval of the Application.

Sincerely,



TOM DALZELL
Business Manager

TD:kmk

cc: President Michael R. Peevey (Via e-mail and US mail)
Commissioner Timothy Alan Simon (Via e-mail and US mail)
Commissioner Rachelle Chong (Via e-mail and US mail)
Commissioner John A. Bohn (Via e-mail and US mail)
Administrative Law Judge Michael Galvin (Via e-mail and US mail)
Paul Clanon, Executive Director (Via e-mail and US mail)
Frank Lindh, General Counsel (Via e-mail and US mail)
Julie Fitch, Director, Energy Division (Via e-mail and US mail)

EXHIBIT B

Letter from Sierra Pacific Industries to Commission Docket Office

DAVID H. DUN
(dhd@dunmartinek.com)

DAVID E. MARTINEK
(dem@dunmartinek.com)

PAMELA GIOVANNETTI
(pam@dunmartinek.com)

RANDALL H DAVIS
(rhd@dunmartinek.com)

SHELLEY C. ADDISON
(sca@dunmartinek.com)

DUN & MARTINEK LLP
ATTORNEYS AT LAW
2313 I STREET
EUREKA, CALIFORNIA 95501
TELEPHONE: (707) 442-3791
FACSIMILE: (707) 442-9251

MAILING ADDRESS
P.O. BOX 1266
EUREKA, CALIFORNIA 95502

LEGAL ASSISTANTS

JO-ANNE STEVENS
(jaf@dunmartinek.com)

RUTH A. JOHNSON
(raj@dunmartinek.com)

PAT VISSER
(pat@dunmartinek.com)

December 17, 2009

Docket Office
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102-3298

Dear Clerk:

I am the attorney of record for Sierra Pacific Industries. Sierra Pacific Industries recently filed a request for intervention in the matter of 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, Application 09-10-028. On December 11, 2009, we were advised that the request for intervention would not be accepted on the grounds that the California Public Utilities Commission no longer allows an intervention category. We were invited to re-file as a party. For the record, Sierra Pacific Industries will not be re-filing a petition as a party because Sierra Pacific Industries has reached a settlement in principal of its dispute with Sierra Pacific Power.

This letter is for the purpose of clarifying the record and establishing a record, to the extent necessary, that Sierra Pacific Industries currently does not oppose the transaction submitted for Commission approval in A.09-10-028.

Sincerely,

DUN & MARTINEK LLP



David H. Dun

DHD/js

CERTIFICATE OF SERVICE

I, Vidhya Prabhakaran, certify:

I am employed in the City and County of San Francisco, California, am over eighteen years of age and am not a party to the within entitled cause. My business address is 505 Montgomery Street, Suite 800, San Francisco, California 94111-6533.

On January 19, 2010, I caused the following to be served:

**JOINT PREHEARING CONFERENCE STATEMENT OF
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via electronic mail to all parties on the service list A.09-10-028 who have provided the Commission with an electronic mail address and by First class mail on the parties listed as "Parties" and "State Service" on the attached service list who have not provided an electronic mail address.

/s/

Vidhya Prabhakaran

VIA EMAIL AND US MAIL

Commissioner Dian Grueneich
Administrative Law Judge Jean Vieth

VIA E-MAIL

chilen@sppc.com; kjl@cpuc.ca.gov; stevegreenwald@dwt.com; phanschen@mofoc.com;
plumascoco@gmail.com; judypau@dwt.com; vidhyaprabhakaran@dwt.com;
cem@newsdata.com; dietrichlaw2@earthlink.net; abb@eslawfirm.com; glw@eslawfirm.com;
brianmorris@countyofplumas.com; Stephen.Aftanas@Emera.com;
Ian.Robertson@algonquinpower.com; dao@cpuc.ca.gov; dlf@cpuc.ca.gov; jrw@cpuc.ca.gov;
xjv@cpuc.ca.gov; mmg@cpuc.ca.gov; mfg@cpuc.ca.gov