Decision _____________

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of Sierra Pacific Power Company (U903E) for Authority to Update its Energy Cost Adjustment Clause Billing Factors Effective September 1, 2008.	Application 08-04-003 (Filed April 1, 2008)

DECISION APPROVING THE APPLICATION OF SIERRA PACIFIC POWER COMPANY FOR AUTHORITY TO UPDATE ITS ENERGY COST ADJUSTMENT CLAUSE BILLING FACTORS

1. Summary

This decision grants the request of Sierra Pacific Power Company (Sierra) for establishment of a new Energy Cost Adjustment Clause (ECAC) offset and balancing rate effective September 1, 2008, resulting in an overall annual decrease of $12,244,000 or 15.15%. This decrease in rates is due to a decrease in estimated fuel and purchased power procurement costs. This decrease will neither increase nor decrease Sierra's net operating income, but will simply allow it to recover fuel and purchased power costs on a dollar-for-dollar basis. This proceeding is closed.

2. Procedural Summary

In Resolution ALJ 176-3211, dated April 10, 2008, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were necessary. By letter dated June 13, 2008, the Division of Ratepayer Advocates (DRA) informed the assigned Administrative Law Judge (ALJ) that it had completed review of Sierra's ECAC application. DRA stated that it found no issues that need to be addressed in a hearing;

therefore, DRA had no objection to the Commission approving Sierra's application. A telephonic prehearing conference was held on June 24, 2008, to discuss submission of this proceeding. On June 25, 2008, there being no need for evidentiary hearing, the ALJ issued a ruling submitting the application for decision on the pleadings. Resolution ALJ 176-3211 should be modified accordingly.

3. Background

Sierra's ECAC billing factor consists of an offset rate and a balancing rate. The offset rate is calculated to enable Sierra to fully recover the forecast fuel and purchased power costs for the twelve month forecast period ended August 31, 2009. The balancing rate is calculated to amortize any cumulative over- or under-collection balance in the ECAC Balancing Account.

Sierra's ECAC mechanism was suspended on June 1, 1996 to comply with Decision (D.) 96-05-059. In D.04-01-027, the Commission granted Sierra's request to reinstitute its annual ECAC filings to recover fuel and purchased power costs. Sierra's ECAC Preliminary Statement tariff was approved by the Commission effective January 16, 2004. On April 5, 2004, Sierra was granted permission by the Executive Director to file its first Application under the reinstituted ECAC on May 3, 2004. New rates were implemented on December 1, 2004, as approved in D.04-11-018. On March 25, 2005, Sierra filed a letter with the Executive Director notifying him that Sierra had not met the trigger requirements in its tariff for filing an application and therefore would not make a 2005 ECAC filing.

On April 3, 2006, Sierra filed Application (A.) 06-04-002, requesting authority to update its ECAC Billing Factors effective September 1, 2006. The Commission approved new rates on October 5, 2006, in D.06-10-016 and they became effective on November 1, 2006. On March 8, 2007, Sierra filed a letter with the Executive Director notifying him that Sierra had not met the trigger requirements in its tariff for filing an application to update its ECAC billing factors in 2007 and therefore would not make a 2007 ECAC filing.

In this application, Sierra requests to establish a new offset rate and balancing rate to be effective September 1, 2008. The offset rate is based on the fuel and purchased power operations forecast for the 12 months ended August 31, 2009, detailed in Chapter 2 of the Application. In compliance with the settlement reached in Sierra's General Rate Case (GRC), A.05-06-018, the carrying charge for fuel inventories will no longer be part of GRC rates but will be included as part of Sierra's offset rate. The proposed offset rate in this proceeding includes the fuel inventory carrying charges.

Sierra's proposed average offset rate of $0.06152 per kilowatt-hour (kWh) based on the fuel and purchased power operations forecast for the 12 months ended August 31, 2009, results in a decrease of $4,953,000, or 6.13% when compared to the current average offset rate of $.07033 per kWh authorized in D.06-10-016. Sierra's current offset rate would result in an over-collection in the ECAC Balancing Account by August 31, 2008. Sierra proposes to amortize the balance on September 1, 2008 via a balancing rate of ($.00334) per kWh. This proposed balancing rate will result in a decrease of $7,291,000, or 9.02%. The proposed changes in the offset rate and the balancing rate result in an overall decrease in rates of $12,244,000 or 15.15%.

4. Discussion

In this application, Sierra shows that based on actual and forecasted fuel and purchased power costs, an overall rate decrease of $12.244 million is required for Sierra to recover, but not over-recover, projected fuel and purchased power costs for the period ending August 31, 2009. The proposed decrease represents an overall 15.15% decrease to Sierra's California retail customers to become effective on September 1, 2008.

DRA audited Sierra's recorded balancing account entries covering the 12 months ended August 31, 2007. Also, DRA reviewed Sierra's forecasts, cost allocation and rate design and found no issues that need to be addressed in hearing. We conclude that Sierra's forecasted fuel expenses, cost allocation and rate design are reasonable. Accordingly, Sierra's application should be approved.

5. Waiver of Comment Period

This is an uncontested matter, in which the decision grants the relief requested. Accordingly, pursuant to § 311(g)(2) of the Public Utilities Code 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 being waived.

6. Assignment of Proceeding

John A. Bohn is the assigned Commissioner and Bertram D. Patrick is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Sierra requests a new offset rate and balancing rate to be effective September 1, 2008.

2. The offset rate is based on the fuel and purchased power operations forecast for the 12 months ended August 31, 2009.

3. Sierra's current offset rate will result in an over-collection in the ECAC Balancing Account by August 31, 2008.

4. Sierra's proposed average offset rate of $0.06152 per kWh based on the fuel and purchased power operations forecast for the 12 months ended

August 31, 2009, results in a decrease of $4,953,000, or 6.13% when compared to the current average offset rate of $.07033 per kWh authorized in D.06-10-016.

5. Sierra proposes to amortize the overcollection balance on September 1, 2008 via a balancing rate of $.00334 per kWh. This proposed balancing rate will result in a decrease of $7,291,000, or 9.02%.

6. The proposed changes in the offset rate and the balancing rate will result in an overall decrease in rates of $12,244,000 or 15.15%.

7. In this application, Sierra shows that an overall rate decrease of $12.244 million is required for Sierra to recover, but not over-recover, projected fuel and purchased power costs for the period ending August 31, 2009.

8. The proposed decrease represents an overall 15.15% decrease to Sierra's California retail customers to become effective on September 1, 2008.

9. DRA audited Sierra's recorded balancing account entries covering the 12-month period through August 31, 2007. Also, DRA reviewed Sierra's forecasts, cost allocation and rate design and found no issues that need to be addressed in hearing.

Conclusions of Law

1. Sierra's request to pass through to customers its actual and forecasted fuel and purchased power costs for the period ending August 31, 2009, is reasonable.

2. Sierra's application to update its ECAC billing factors should be adopted.

3. Since there are no disputed issues, there is no need for an evidentiary hearing.

O R D E R

IT IS ORDERED that:

1. Sierra Pacific Power Company shall file new tariffs within 14 days of the date of this order reflecting the revised Energy Cost Billing Factors as set forth in its application.

2. The new tariffs shall become effective on September 1, 2008, subject to Energy Division's determination that the tariffs are in compliance with this decision.

3. No hearing is necessary. Resolution ALJ 176-3211 is modified accordingly.

4. Application 08-04-003 is closed.

This order is effective today.

Dated ____________________________, at San Francisco, California.