



California Pacific
Commitment. Continuity.

Peter Eichler
Manager, Financial
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California Pacific Energy Company
933 Eloise Avenue
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Tel: 800-782-2506
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December 13, 2010

VIA OVERNIGHT MAIL

**Revision to Advice 2-E
(U 933-E)**

Public Utilities Commission of the State of California
Attn.: Energy Division, 4th Floor
505 Van Ness Avenue
San Francisco, CA 94102-3298

Subject: Substitute Sheets to CalPECo Advice Letter 2-E

In accordance with Section 7.5.1 of General Order 96-B, California Pacific Energy Company (“CalPECo”) hereby submits this minor revision to its **Tier 2** advice letter submitted on November 30, 2010 by substituting the following revised advice letter. The attached revised advice letter reflects the addition of footnote 1, which provides an explanation for the change in ECAC revenues shown in the tariff sheets. Because of pagination changes associated with the inclusion of the footnote, we have provided the full advice letter. The two attachments to the advice letter have not been resubmitted because no changes have been made to the tariff sheets (Attachment No. 1) or to the details of rate changes (Attachment No. 2).

An asterisk has been added to the title of the advice letter to indicate that it is a substitute sheet.

The attached substitute advice letter is being served on all parties that received CalPECo Advice Letter 2-E.¹

If additional information is required, please contact Peter Eichler, Manager, Financial Planning & Analysis (Peter.Eichler@CaliforniaPacificElectric.com).

Sincerely,

Peter Eichler
Manager, Financial Planning & Analysis
Attachment

¹ Pursuant to General Order 96-B, Title 4.7.



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November 30, 2010

VIA OVERNIGHT MAIL

Advice 2-E*
(U 933-E)

Public Utilities Commission of the State of California
Energy Division
505 Van Ness Avenue
San Francisco, CA 94102-3298

Attention: Energy Division, 4th Floor

Subject: Adoption of CalPECo tariff sheet revisions for: (1) Annual Post-Test Year Adjustment Mechanism (PTAM) -- Attrition Factor for 2011; (2) California Alternate Rates for Energy (CARE) and Low Income Energy Efficiency (LIEE) Annual Revision; (3) Expiration of the Trust Transfer Amount (TTA) Refund; and (4) California Energy Commission (CEC) Surcharge Adjustment

Purpose

California Pacific Energy Company ("CalPECo") hereby submits this **Tier 2** advice letter to transfer and adopt, for CalPECo, the following tariff sheet revisions previously submitted by Sierra Pacific Power Company ("Sierra"):

1. Tariff sheet revisions already approved for Sierra, pursuant to Advice letter No. 364-E (dated October 15, 2010), to revise general rates pursuant to the Post Test-Year Adjustment Mechanism (PTAM) Attrition Factor for 2011, authorized as part of Sierra's 2008 general rate case, Application 08-08-004, by California Public Utilities Commission (CPUC) D.09-10-041; and

2. Tariff sheet revisions submitted by Sierra in Advice Letter No. 365-E (dated November 15, 2010), for the annual revision of the CARE and LIEE surcharges, the expiration of the TTA refund and the increase to the CEC surcharge.

The effected tariff sheets are included in Attachment No.1. The attached tariff sheets reflect changes to the CalPECo original tariff submitted to Energy Division on November 23, 2010 in CalPECo Advice Letter 1-E. The net effect to rates, however, is the same as already approved for Sierra, pursuant to Advice Letter 364-E, and submitted by Sierra in Advice Letter 365-E.¹ Since Sierra's Advice Letter 365-E was submitted as a Tier 2 filing, subject to review by Energy Division, CalPECo makes its submission as a Tier 2 filing, so that it can be reviewed in parallel with Sierra's submission and approved with an effective date of January 1, 2011.

Details of the rate component changes, the total revenue increase of \$1,195,000, or 1.67% and percentage changes by customer class for the PTAM, CARE/LIEE, TTA and CEC rate changes are included in Attachment No. 2.

Pursuant to CPUC D.10-10-17, Ordering Paragraph No.6, CalPECo's tariffs are to become effective upon the closing of the transfer from Sierra, which is expected to occur on January 1, 2011. Therefore, CalPECo requests that these tariff revisions become **effective January 1, 2011**.

Background

In Decision 10-10-017, the Commission approved the transfer of the California portion of Sierra's utility operations to CalPECo. In CalPECo Advice Letter 1-E (dated November 23, 2010), CalPECo submitted a full and complete tariff book that transfers and adopts Sierra's existing California retail tariffs, with certain changes. Based upon an expected closing date of January 1, 2011, CalPECo requested that the tariffs become effective January 1, 2011.

In this Advice Letter, CalPECo AL No. 2-E, CalPECo seeks to:

1. Transfer and adopt the tariff sheet revisions already approved for Sierra in Advice Letter 364-E (dated October 15, 2010), in order to increase CalPECo's rates based on the PTAM Attrition Factor for 2011, which is consistent with the provisions of D.09-10-041 and the Settlement approved by the CPUC in that proceeding; and
2. Transfer and adopt the tariff sheet revisions submitted by Sierra in Advice Letter 365-E (dated November 15, 2010) in order to implement, for CalPECo, revisions of the CARE and LIEE surcharges, expiration of the TTA refund and adjustment of the CEC surcharge, to be effective January 1, 2011.

¹ Although the net effect to rates is the same, CalPECo's revenue components are different from Sierra's because CalPECo will not own any transmission assets or generation assets, other than the King's Beach facility. CalPECo will purchase transmission service and the bulk of its generation service from Sierra, pursuant to the supply agreement approved in D.10-10-017. The result is that CalPECo's transmission revenues are zero, its generation revenues are lower than Sierra's while its ECAC revenues are higher. However, CalPECo's total revenues are the same as those submitted by Sierra, as discussed in D.10-10-017, fn. 25.

In addition, CalPECo has adjusted its distribution revenues to remedy the historic inclusion, in Sierra's distribution revenues, of recovery for some generation costs, including the King's Beach facility. CalPECo has removed these revenues from distribution and will recover them as ECAC revenues, in accordance with the requirement of D.10-10-017 that total revenues remain the same.

PTAM Attrition Factor for 2011

CalPECo is adopting the PTAM revision approved for Sierra. The two-part PTAM consists of: (1) a PTAM Attrition Factor of 1.0%; and (2) a Major Plant Additions component of zero.

The rate change associated with the PTAM Attrition Factor for 2011, the overall PTAM percentage change has been applied to all rate components which were approved in Sierra's Advice Letter 355-E (Sierra's 2010 PTAM), subject to the revision of certain rate elements that are not applicable to CalPECo. Application of the PTAM Attrition Factor for 2011 will result in a rate increase of approximately \$380,455 or 1.0%. ECAC and surcharge revenues are excluded from this adjustment mechanism. By this Advice Letter, CalPECo is adopting these rate changes. **The net effect to rates, however, is the same as already approved for Sierra pursuant to Sierra's Advice Letter 364-E.**

CARE and LIEE Surcharges Annual Revision

In compliance with D.08-12-019, dated December 4, 2008, Sierra submitted tariffs that update CARE and LIEE surcharge rates effective January 1, 2011. The result of this update is a \$27,847 or 0.04% increase for CARE and a \$5,569 or 0.01% increase for LIEE. By this Advice Letter, CalPECo is adopting those rate changes.

Expiration of Annual TTA True-Up Mechanism Refund

Pursuant to D.98-10-021, Sierra established TTA rates to recover the cost of the Rate Reduction Bonds (RRB) that were issued to fund the 10% rate reduction for Residential and Small Commercial customers per AB 1890. The TTA rates remained in effect until the RRB obligations were discharged. Sierra's Advice Letter No. 347-E dated March 3, 2009, terminated the TTA rates effective April 1, 2009. In Sierra's Advice Letter No. 356-E dated December 11, 2009, when the actual amount of the over-collection was known, Sierra implemented TTA credit rates to return the over-collection to the eligible ratepayers by decreasing the distribution component of the energy charges for the residential and eligible small commercial rate schedules over 12 months.

By this Advice Letter, CalPECo removes the TTA credit rates which results in an annual increase of \$570,791, or 1.62% for residential customers and \$149,047, or 1.36% for eligible small commercial customers.

CEC Surcharge Adjustment

On November 8, 2010, the California Energy Commission (CEC) approved an increase to the Electricity Consumption Surcharge Rate for calendar year 2011, which results in a \$38,986, or 0.05% increase to customers. By this Advice Letter, CalPECo adopts the rate change reflected in Sierra's Advice Letter 365-E.

The rate increase from the adoption of all these rate changes would result in the following changes by customer class:

Customer Class	Increase (\$)	Increase (%)
Residential	832,935	2.31
Small Commercial	240,554	1.72
Medium Commercial	47,317	0.59
Large Commercial	71,997	0.55
Interruptible Irrigation	180	0.40
Street Lights	998	0.84
Outdoor Lighting Service	1,454	0.85

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or by email, any of which must be received no later than **December 20, 2010**, which is 20 days after the date of this filing. The protest shall set forth the grounds upon which it is based and shall be submitted expeditiously. There is no restriction on who may file a protest. Protests should be mailed to:

CPUC Energy Division
 Attention: Tariff Unit, 4th Floor
 505 Van Ness Avenue
 San Francisco, CA 94102
 Facsimile: (415) 703-2200
 Email: mas@cpuc.ca.gov and jnj@cpuc.ca.gov

The protest also should be sent via email and U.S. Mail (and by facsimile, if possible) to CalPECO at the addresses show below on the same date it is mailed or delivered to the Commission.

California Pacific Electric Company
 Attn.: Advice Letter Protests
 933 Eloise Avenue
 South Lake Tahoe, CA 96150
 Fax: 905-465-4514
 Email: Peter.Eichler@CaliforniaPacificElectric.com

With a copy to:
 Andrew B. Brown
 Ellison, Schneider & Harris, LLP
 2600 Capitol Avenue, Ste. 400
 Sacramento, CA 95816
 Fax: 916-447-3512
 Email: ABB@ESLawfirm.com

Effective Date

CalPECo requests that this advice filing become effective on **January 1, 2011**. CalPECo believes this Advice Letter should be classified as **Tier 2 “Effective After Staff Approval”** consistent with GO 96-B, Section 7.6.1 and Industry Rule 5.1.

Notice

In accordance with General Order 96-B, Section 4.3, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and on the service lists for Sierra’s GRC (A.08-08-004) and the Transfer Proceeding (A.09-10-028 and A10-04-032).

If additional information is required, please contact Peter Eichler, Manager, Financial Planning & Analysis (Peter.Eichler@CaliforniaPacificElectric.com).

Sincerely,

A handwritten signature in black ink, appearing to read "P. Eichler", written in a cursive style.

Peter Eichler
Manager, Financial Planning & Analysis

Attachments