

JUL 25 1988

CACD/KLE

Decision 88 07 044 JUL 22 1988

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of )  
 SIERRA PACIFIC POWER COMPANY for an )  
 Order authorizing it (a) to issue )  
 and sell, pursuant to competitive )  
 bidding, from \$60,000,000 but not )  
 exceeding \$70,000,000 principal )  
 amount of First Mortgage Bonds, )  
 \_\_\_% Series X due 2018; and (b) )  
 to execute a Twenty-Sixth Supple- )  
 mental Indenture supplementing the )  
 Indenture of Mortgage dated )  
 December 1, 1940. )  
 (UO-903E) )

Application 88-05-025  
(Filed May 12, 1988)

O P I N I O N

Summary of Decision

This decision grants Sierra Pacific Power Company (Sierra Pacific) the authority requested in its application.

Sierra Pacific requests authority, under Public Utilities (PU) Code Sections 816-830 and 851-854, for the following:

1. To issue and sell up to \$70,000,000 aggregate principal amount of its \_\_\_% First Mortgage Bonds (New Bonds), Series X, due in 2018, through competitive bidding, in a single offering;
2. To execute and deliver a supplemental indenture to Sierra Pacific's Indenture of Mortgage dated December 1, 1940 and
3. To use the proceeds for the purpose of reimbursing its treasury for short-term funds which were used to refund Sierra Pacific's 15-3/8% First Mortgage Bonds, Series T, formerly due in 1991, in the aggregate principal amount of \$60,000,000 (refunded since the filing of the application) plus the call premium of \$2,400,000 and to refund additional short-term debt in the amount of \$7,600,000.

Notice of the filing of the application appeared on the Commission's Daily Calendar of May 18, 1988. No protests have been received.

Sierra Pacific, a Nevada corporation, provides electric utility service in California and electric, gas and water utility services in Nevada.

For calendar year 1987, Sierra Pacific reports in its Annual Report to the Commission that it generated total operating revenues of \$356,726,081 and net income of \$46,427,272. It reports that \$38,042,285, or 10.7%, of its revenues were derived from California operations. For the 12 months ended March 31, 1988, Sierra Pacific reports in its Consolidated Income Statement attached to the application as Exhibit I that it generated operating revenues of \$363,380,407 and net income of \$38,565,235 as shown in Exhibit 1 attached to the application.

Sierra Pacific's Condensed Balance Sheet as of March 31, 1988, attached to the application as Exhibit 2, is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$ 918,584,175
Current Assets	72,776,854
Deferred Debits	<u>50,976,377</u>
Total	\$1,042,337,406
 <u>Liabilities and Equity</u>	
Common Stock	\$ 319,561,699
Preferred Stock	23,115,000
Long-Term Debt	380,363,538
Current Liabilities	101,302,080
Deferred Credits	<u>217,995,089</u>
Total	\$1,042,337,406

As of March 31, 1988, Sierra Pacific had short-term debt outstanding in the amount of \$35,500,000.

In the application, Sierra Pacific proposed to issue and sell between \$60,000,000 and \$70,000,000 aggregate principal amount of its New Bonds in a single series by means of competitive bidding; however, in its letter dated June 20, 1988, it revised this figure to \$70,000,000.

Proposed Indenture

The company anticipates that the New Bonds would have a 30-year term and would be issued in accordance with that certain trust indenture dated December 1, 1940 which has heretofore been filed with the Commission. The Twenty-Seventh supplemental indenture to be delivered in connection with the New Bonds will be in a form consistent with supplemental indentures previously submitted to the Commission.

Sierra Pacific states that the New Bonds would be sold to the bidder or bidders offering the lowest cost of money. The terms and conditions of the proposed New Bonds, including the price, the interest rate, maturity date, redemption provision and sinking fund (if any) will be determined by market conditions at the time of sale of the New Bonds.

Capital Ratios

Sierra Pacific's capital ratios as of March 31, 1988 are shown below as recorded and as adjusted to give pro forma effect to the transactions that follow:

<u>Components</u>	<u>March 31 1988</u>	<u>Pro Forma</u>
Long-Term Debt	50.1%	51.3
Short-Term Debt	<u>4.7</u>	<u>3.7</u>
Total Debt	54.8	55.0
Preferred Stock	3.1	3.0
Common Equity	<u>42.1</u>	<u>42.0</u>
Total	100.0%	100.0%

1. The redemption of \$60,000,000 aggregate principal amount of Sierra Pacific's 15-3/8% First Mortgage Bonds, Series T. Due in 1991 (authorized by Decision 92877 dated April 7, 1981 in Application 60269) and \$2,600,000, the cost of the call premium.
2. The reimbursement to Sierra Pacific's treasury to cover an additional \$7,600,000 in short-term debt refunding

Use of Proceeds

At the time of filing the application, Sierra Pacific requested to use the net proceeds from the proposed sale of its New Bonds to redeem its 15-3/8% First Mortgage Bonds, Series T, due in 1991, including the call premium, totaling \$62,400,000 and to refund \$7,600,000 of its short-term debt outstanding on the date of the sale of the New Bonds. Since filing the application, Sierra Pacific stated in its letter dated June 22, 1988 to the Commission Advisory and Compliance Division (CACD) that it has already redeemed the bonds mentioned above with short-term debt. The aggregate amount expended to effect the redemption was \$62,400,000. The remaining proceeds from the New Bonds, \$7,600,000, will be used to reduce the short-term debt outstanding at the time of sale.

Sierra Pacific states, in the application, that the proposed redemption will result in a significant benefit to the ratepayers over the life of the New Bonds. Sierra Pacific estimates the interest rate for its proposed issue will be approximately the same rate as that received by "A2" rated companies have the same rating as Sierra Pacific and would be in the range of 9.50% to 11%. Exhibit 4 to the application illustrates the present value benefits over the remaining life of the issue.

The CACD has reviewed the application and has no objection to Sierra Pacific's proposal to issue its New Bonds in the aggregate principal amount of up to \$70,000,000 and to use the

Conclusions of Law

1. A public hearing is not necessary.
2. The application should be granted to the extent set forth in the order which follows.

The proposed security issue is for lawful purposes and the money, property or labor to be obtained by it is required for these purposes. Proceeds from the security issue may not be charged to operating expense or income.

The following order should be effective on the date of signature and payment of the fee set by PU Code Section 1904(b) and 1904.2 to enable Sierra Pacific to issue its New Bonds expeditiously.

**ORDER**

IT IS ORDERED that:

1. Sierra Pacific Power Company (Sierra Pacific), on or after the effective date of this order and on or before December 31, 1989, may, for the purposes set forth in this proceeding, issue and sell, through competitive bidding, up to \$70,000,000 of its First Mortgage Bonds (New Bonds) under the terms and conditions set forth in the application.
2. Sierra Pacific may execute and deliver its supplemental indenture on substantially the same terms and conditions as contemplated in the application.

3. Sierra Pacific shall apply the net proceeds from the sale of its New Bonds to the purposes set forth in the application.

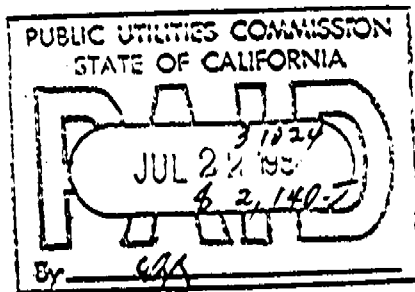
4. As soon as available, Sierra Pacific shall file, with the Commission Advisory and Compliance Division, three copies of the final prospectus pertaining to the New Bonds and a written report for each bid received showing the name of the bidder, the price, the interest rate and the cost of money to Sierra Pacific based on the price and interest rate.

5. Sierra Pacific shall file the reports required by General Order Series 24.

6. The application is granted as set forth above.

The authority granted by this order to issue and sell the New Bonds will be effective when Sierra Pacific pays \$2140, the fee set by Public Utilities Code Sections 1904(b) and 1904.2 after taking credit for retirement of \$60,000,000 of 15-3/8% First Mortgage Bonds, Series T. In all other respects, this order is effective today.

Dated JUL 22 1988, at San Francisco, California.



STANLEY W. HULETT  
President  
DONALD VIAL  
FREDERICK R. DUDA  
G. MITCHELL WILK  
JOHN B. OHANIAN  
Commissioners

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY.

*Victor Weisser*  
Victor Weisser, Executive Director

*AB*