

Decision 91-10-031    October 23, 1991

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
The Washington Water Power Company )  
(U 907-G) for an Order authorizing )  
the issuance and sale of up to and )  
including 750,000 shares of Common )  
Stock, no par value, under a )  
Periodic Offering Program. )

Application 91-09-054  
(Filed September 30, 1991)

OPINION

Summary of Decision

This decision, processed on an expedited basis, grants in part and denies in part the Washington Water Power Company's (WWPC) request for authority to issue and sell not more than 750,000 shares of common stock and attached preferred share purchase rights (Common Stock), no par value, as described in Application 91-09-054 (Application), including Exhibit C attached to the Application. The Common Stock would be sold under a Periodic Offering Program, beginning October 23, 1991 through October 22, 1993. This authority is granted under §§816 through 830 of the California Public Utilities Code (PU Code).

WWPC requests authority to issue and sell up to and including 750,000 shares of Common Stock, no par value, under a Periodic Offering Program in the Application. In addition, WWPC requests expedited Commission action on the Application at its October 23, 1991 Commission meeting, in order to enable WWPC to proceed immediately with the issuance of the aforementioned Common Stock.

As of October 15, 1991, WWPC has received the necessary regulatory commission approvals in Washington, Idaho, and Oregon for the issuance of this Common Stock. Absent expedited approval by the California Commission, WWPC claims it will be unable to

immediately proceed to issue the Common Stock and avail itself of presently favorable market conditions. In addition to other such waivers or relief that may be required, WWPC requests that the time for the filing of any protest under Rule 8.3 be shortened to take final action on this Application at the October 23, 1991 Commission meeting date.

Notice of the filing appeared on the Commission's Daily Calendar on October 2, 1991. The protest period was shortened to October 12, 1991, by an Administrative Law Judge (ALJ) Ruling issued October 2, 1991 by the Chief Administrative Law Judge, enabling the Commission to expedite its consideration of WWPC's Application. No protests have been received.

#### Partial Denial of Application

WWPC's proposal in the Application, to use the funds for any or all of the purposes detailed in Article 8, Rule 33(c) is denied. The Commission Advisory and Compliance Division (CACD) recommends that the proceeds only be used for the purposes set forth in WWPC's proposed prospectus (Prospectus), included in the Application in Exhibit C(a), and filed with the Securities and Exchange Commission on October 11, 1991. The Commission has considered CACD's recommendation and, finding it reasonable, will adopt it as stated above.

#### Background

WWPC is a corporation organized and existing under the laws of the State of Washington. WWPC is based in Spokane, Washington and has been serving customers for over a hundred years. WWPC is engaged in the business of distributing and selling natural gas in South Lake Tahoe, California, as a public utility subject to the jurisdiction of this Commission. WWPC is also engaged in the business of distributing and selling natural gas in certain portions of the States of Washington, Idaho, and Oregon, along with the generation, transmission, distribution, and sale of electric energy in certain portions of Eastern Washington and Northern Idaho.

For the twelve months ended July 31, 1991, WWPC reported operating revenues of \$465,608,000 and net operating income of \$121,893,000 as shown in supplementary data provided to CACD. Revenues from its California operations will be minimal, 1.72%, as shown in the Supplemental Exhibit I to the Application.

Exhibit B(h)-i to the Application shows WWPC's balance sheet as of July 31, 1991, which is summarized below:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$1,055,432,000
Other Property and Investments	200,049,000
Current Assets	63,268,000
Deferred Charges	<u>64,103,000</u>
Total	\$1,382,852,000
<u>Liabilities and Equity</u>	
Common Equity	\$ 525,933,000
Preferred Stock	125,000,000
Long-Term Debt	563,626,000
Current Liabilities	63,613,000
Deferred Credits	<u>104,680,000</u>
Total	\$1,382,852,000

#### Equity Financing

WWPC states that it has prepared a registration statement to be filed with the Securities and Exchange Commission (SEC) covering the proposed issuance and sale of up to 750,000 shares of its Common Stock under a Periodic Offering Program. A copy of the draft prospectus was included in the Application as Exhibit C(a). WWPC will submit copies of the final prospectus filed with the SEC in connection with this Periodic Offering Program with CACD within 15 days of execution.

#### Description of Plan and Manner of Issuance

WWPC seeks authority in the Application to issue and sell up to and including 750,000 shares of Common Stock, no par value, under a Periodic Offering Program. The stock, to be sold on an agent basis, will be issued from time to time during the next two

years as financing requirements necessitate additional equity and when market conditions and investor demand are favorable.

WWPC adopted a Rights Agreement, dated February 16, 1990, whereby holders of common stock outstanding on March 2, 1990 or issued thereafter were granted one preferred share purchase right (Right) on each outstanding share of common stock, as shown in Exhibit C(a) to the Application. Each Right, initially evidenced and traded with the shares of common stock, entitles the registered holder to purchase one one-hundredth of a share of preferred stock. The Rights become exercisable only under certain conditions as set forth in Exhibit C(a) to the Application.

The price to be received by WWPC, before the agent's commission, will not be less than \$0.25 below the last sale price of WWPC's Common Stock as quoted in the Wall Street Journal on the business day immediately prior to the day of such sale and will also not be less than 125% of the book value of WWPC's Common Stock as of the last day of the most recently ended calendar quarter. The shares will be sold by an exclusive sales agent, Goldman, Sachs & Company. The agent's commission will not exceed \$0.25 per share.

#### Construction Budget

WWPC's estimates for its construction program will approximate the following, as summarized and included as Supplemental Exhibit A to WWPC's application:

	<u>1990</u>	<u>1991</u>
Electric:		
Production	\$ 8,448,000	\$ 21,477,000
Transmission & Distribution	24,511,000	27,218,000
General	<u>8,056,000</u>	<u>11,298,000</u>
Total Electric	\$41,015,000	\$ 59,993,000
Gas:		
Washington/Idaho	\$ 8,432,000	\$ 7,843,000
Oregon/California	<u>0</u>	<u>86,904,000</u>
Total Gas	\$ 8,432,000	\$ 94,747,000
Weatherization	\$ 340,000	\$ 1,499,000
Preliminary Survey and Investigation	<u>1,217,000</u>	<u>4,077,000</u>
Total	\$51,004,000	\$160,316,000

CACD has reviewed the Application and WWPC's construction program budget. CACD concludes that the proposed financing is necessary for WWPC's construction program; however, WWPC is placed on notice, by this decision, that the Commission does not find that WWPC's construction budget is necessary or reasonable for ratemaking purposes. These are issues which are normally tested in general rate cases or rate base offset proceedings.

#### Capitalization Ratios

WWPC's capitalization ratios at July 31, 1991 are summarized on the next page as recorded and adjusted to give *pro forma* effect to the proposed transaction:

	<u>Recorded</u>		<u>Pro Forma</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
(Thousands of Dollars)				
Long-term Debt	\$ 563,626	46.4%	\$ 664,626*	46.7%
Preferred Stock	125,000	10.3%	145,000**	10.2%
Common Equity	<u>525,933</u>	<u>43.3%</u>	<u>612,066***</u>	<u>43.1%</u>
Totals	\$1,215,907	100.0%	\$1,239,907	100.0%

Note: All outstanding issues have been previously authorized by the respective utility Commissions in the states of Washington, Idaho, and Oregon

- \* Includes \$11,000,000 of Medium Term Notes, Series A and \$90,000,000 of Medium Term Notes, Series B (the remaining \$60,000,000 of the Series B shelf registration will be used to refinance previously issued debt)
- \*\* Reflects unissued Preferred Stock of \$20,000,000 from original shelf registration of \$120,000,000 authorized in March 1990
- \*\*\* Includes (1) an estimated \$3,486,000 from the Company's Employee Stock Purchase Plan; (2) \$46,749,000 from the Company's Dividend Reinvestment Plan; (3) \$11,898,000 from the Company's 401-K Investment Plan; and (4) the sale of 750,000 shares of Common Stock with net proceeds of \$32 per share, for a total of \$24,000,000, the subject of this application.

WWPC is placed on notice, by this decision, that the Commission does not find that the above capital ratios are necessary or reasonable for ratemaking purposes. These are issues which are normally tested in general rate cases or cost of capital proceedings.

Cash Requirements Forecast

WWPC's cash requirements forecast for 1990 and 1991, provided in WWPC's Supplementary Exhibit C, is summarized below:

	<u>1990</u> (1)	<u>1991</u> (2)
Funds Used or Required for Construction	\$ 51,004,000	\$160,316,000
Funds Used or Required for Cash Dividends	64,867,000	67,688,000
Maturities of Long-Term Debt	<u>0</u>	<u>8,842,000</u>
Subtotal	115,871,000	236,846,000
Less: Estimated Cash Available From Internal Sources	<u>92,815,000</u>	<u>113,479,000</u>
Additional Funds Required	\$ 23,056,000	\$123,367,000

1. 1990 data is actual.
2. 1991 data includes projections for CP National acquisition.

CACD has analyzed WWPC's cash requirements forecast for 1990 and 1991, provided in WWPC's Supplemental Exhibit C as summarized above. CACD concludes that internally generated funds will only provide 47.9% or \$113,479,000 of the total cash required in 1991. WWPC asserts it will need funds from external sources amounting to \$123,367,000 in 1991. CACD concludes that the proposed issuance of WWPC Common Stock is necessary to help meet forecasted cash requirements which include capital expenditures.

CACD has reviewed the Application and has concluded that the proposed issuance of the Common Stock under the Periodic Offering Program is reasonable and that the authority should be granted. The Commission has considered CACD's recommendations and, finding them reasonable, will adopt them as stated above.

Use of Proceeds

WWPC states in the Application, Supplemental Exhibit I, that it estimates that the sale of 750,000 shares of Common Stock will result in net proceeds of approximately \$24,000,000 based on the current price of WWPC's Common Stock on the New York Stock Exchange.

In the Application, WWPC proposes to use the funds for any or all of the purposes detailed in Article 8, Rule 33(c) including (1) property acquisition, (2) construction, completion, extension or improvement of facilities, (3) improvement of service, (4) discharge or refunding of obligations, (5) financing the acquisition and installation of electrical equipment, (6) reorganization or readjustment of indebtedness or capitalization, or for retirement or exchange of securities, and (7) reimbursement of moneys actually expended from income, or from any other moneys in the treasury.

However, WWPC's Prospectus states that the use of the proceeds will be used for (1) WWPC's construction program, (2) the refunding of other securities of WWPC, or (3) to reimburse the treasury for funds previously expended for such purposes. CACD believes WWPC has limited the use of the proceeds to those listed in its Prospectus. Therefore, CACD believes that the Commission should not grant authority for uses beyond those stated in the Prospectus.

CACD recommends that the Commission deny WWPC's proposal to use the proceeds for purposes not stated in the Prospectus. The Commission concurs and will adopt CACD's recommendation.

Findings of Fact

1. WWPC, a Washington corporation, operates as a public utility subject to the jurisdiction of this Commission.

2. The proposed issuance of Common Stock would be for proper purposes.



3. WWPC has need for external funds for the purposes and reasons set forth in the Application.

4. The money, property, or labor to be procured, or paid for, by the proposed sale of WWPC's Common Stock is reasonable and required for the purposes specified in WWPC's Prospectus as included in the Application as Exhibit C (a).

5. The Chief ALJ's Ruling issued October 2, 1991 shortened the protest period to October 12, 1991.

6. There is no known opposition to the Application and no reason to delay granting the authority requested.

#### 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.

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

4. The number of shares outstanding, the total par value of the shares, and the dividends paid do not determine allowable return on plant investment. This authorization is not a finding of the value of WWPC's stock, or property, nor does it indicate the amounts to be included in ratemaking proceedings.

5. WWPC has paid the fee set by PU Code \$1904.1 and \$1904.2(b).

6. The following order shall be effective on the date of the signature to enable WWPC to proceed expeditiously with the sale of its Common Stock under the Periodic Offering Program.

O R D E R

IT IS ORDERED that:

1. Washington Water Power Company (WWPC), on or after the effective date of this order, may issue and sell up to and including 750,000 shares of its common stock and the attached preferred share purchase rights (Common Stock), no par value, through its Periodic Offering Program over a two-year period beginning October 23, 1991.
2. WWPC shall apply the net proceeds from the sale of its Common Stock to the purposes set forth in this decision.
3. WWPC shall file with CACD copies of its final Prospectus, pertaining to the Periodic Offering Program of the Common Stock authorized by this Order, within 15 days of execution.
4. WWPC shall file the reports required by General Order Series 24.
5. WWPC shall submit an original and four copies of the Prospectus and the reports required by ordering paragraphs 3 and 4 to CACD with a transmittal letter stating the application and decision numbers. The Director of CACD shall send the original and one copy of each report to the Docket Office for filing.
6. The Application is granted as set forth above.

The authority granted by this order to issue Common Stock is effective today as Washington Water Power Company has previously paid the fee of \$836.00 set by the PU Code \$1904.1 and \$1904.2(b).

Dated October 23, 1991, at San Francisco, California.

PATRICIA M. ECKERT  
President

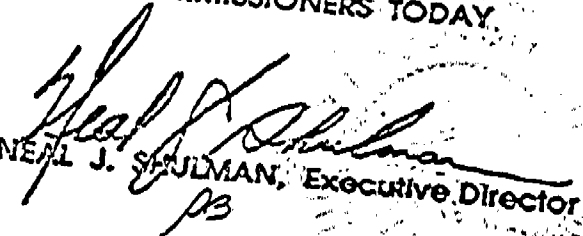
JOHN B. OHANIAN

DANIEL Wm. FESSLER

NORMAN D. SHUMWAY

Commissioners

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

  
NEAL J. SAULMAN, Executive Director  
PB