

CACD/MSO

Decision 91-12-003 December 4, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
Sierra Pacific Power Company (U-903-E))
for an Order Authorizing it to Issue)
Unsecured Promissory Notes Allowing)
For Total Short-Term Borrowing at)
Any One Time Not to Exceed)
\$90,000,000.)

ORIGINAL

Application 91-08-001
(Filed August 1, 1991)

OPINION

Summary of Decision

This decision grants Sierra Pacific Power Company (Sierra Pacific) the authority requested in Application 91-08-001 (Application). Pursuant to Public Utilities (PU) Code §§816 through 830, Sierra Pacific requests authority to issue during December 31, 1991 to December 31, 1993, notes of twelve months or less duration with an aggregate total at any given time not to exceed \$90,000,000.

Notice of the filing of the Application appeared on the Commission's Daily Calendar of August 7, 1991. No protests have been received.

Sierra Pacific, a Nevada corporation, operates as a public utility subject to the jurisdiction of this Commission. Sierra Pacific is engaged in electric utility operations in California and electric, gas and water utility operations in Nevada.

Financial Information

Appendix A to the Application contains Sierra Pacific's latest condensed balance sheet, dated June 30, 1991. The information in Appendix A is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Total Utility Plant, Net	\$1,077,136,670
Non-Utility Investments	1,161,167
Current Assets	87,598,674
Deferred Debits	<u>81,719,208</u>
 Total	 \$1,247,615,719
 <u>Liabilities and Equity</u>	
Total Common Equity	\$ 370,529,121
Preferred Stock	23,115,000
Preferred Stock Subject to Mandatory Redemption	34,000,000
Long-Term Debt	440,977,105
Current Liabilities, including \$60 Million in Short-Term Borrowing	118,674,754
Deferred Credits	<u>260,319,739</u>
 Total	 \$1,247,615,719

As shown in supplementary data provided to the Commission Advisory and Compliance Division (CACD), for the twelve months ended June 30, 1991, Sierra Pacific's total operating revenues were \$463,940,072, of which \$49,878,807, or 10.75%, was derived from California operations.

Proposed Financing

Sierra Pacific seeks authority to issue during the period December 31, 1991 to December 31, 1993, short-term notes (twelve months or less), with an aggregate total for short-term notes at any given time during such period not to exceed \$90,000,000. This will allow continuity, since Sierra Pacific's existing authority, granted in Decision (D.) 89-12-014, terminates on December 31, 1991.

Sierra Pacific states that the interest rates will be negotiated and that they are not expected to exceed one-fourth of one percent over the prime rate in effect at the time of the borrowing, the prime rate being calculated as the lowest rate which

banks in New York City are then charging on short-term commercial loans to borrowers.

Use of Proceeds

The Application states that proceeds from the borrowing will be used to repay existing short-term promissory notes as they become due, and to pay for construction expenditures. Sierra Pacific states that the need for such proceeds is imminent.

Construction Budget

Sierra Pacific estimates in its Application gross construction expenditures for the years 1991 and 1992 as follows:

<u>Department</u>	<u>1991</u>	<u>1992</u>
Electric Department	\$42,154,000	\$ 62,995,000
Gas Department	9,139,000	8,119,000
Water Department	30,250,000	33,090,000
Common Plant	<u>1,685,000</u>	<u>3,168,000</u>
Total	\$83,228,000	\$107,372,000

CACD has reviewed the Application and Sierra Pacific's construction budgets and concludes that the proposed financing would be necessary to fund the proposed construction program and to repay existing short-term promissory notes as they become due. Sierra Pacific is placed on notice, by this decision, that the Commission does not find that Sierra Pacific's construction program is necessary or reasonable for ratemaking purposes. These are issues normally tested in general rate case or rate base offset proceedings.

Capital Ratios

Sierra Pacific's capital ratios recorded as of May 31, 1991, as set forth in the Application, and calculated pro forma giving full effect to the proposed financing, are shown below:

	<u>Amount</u>	<u>Percentage</u>	<u>Pro Forma Percentage</u>
Common Equity	\$367,318,152	39.8%	38.3%
Preferred Stock	57,115,000	6.2	5.9
Long-Term Debt	445,095,706	48.2	46.4
Short-Term Debt	<u>54,000,000</u>	<u>5.8</u>	<u>9.4 *</u>
Total	\$923,528,858	100.0%	100.0%

* Assumes \$90,000,000 in short-term debt.

Sierra Pacific is placed on notice, by this decision, that the Commission does not find 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.

Amount Requiring Authorization

The \$90,000,000 total aggregate short-term borrowing at any one time during the period December 31, 1991 to December 31, 1993, for which Sierra Pacific states a need, requires authorization from this Commission for that portion which exceeds five percent of the par value of securities outstanding other than short-term borrowings. Sierra Pacific makes this request pursuant to PU Code §823(c). The Application sets forth the calculation as follows:

Common Equity:	
Common Stock (1,000 shares at \$3.75 par value)	\$ 3,750
Other Paid-in Capital	272,425,071
Retained Earnings	<u>94,889,331</u>
	\$367,318,152
Preferred Stock:	
(1,142,300 shares at \$50 par value)	57,115,000
First Mortgage Bonds:	<u>293,983,967</u>
Total	\$718,417,119
5% of Total	\$ 35,920,856
Aggregate amount of short-term financing requested	\$ 90,000,000
5% allowed by §823(c)	<u>35,920,856</u>
Amount requiring authorization	\$ 54,079,144

CACD has reviewed this calculation and concurs in it. Therefore, short-term financing in the amount of \$54,079,144 requires authorization by this Commission under PU Code §823(c).

Cash Requirements Forecast

Sierra Pacific's cash requirements forecasts for the years 1991, 1992, and 1993, as provided to CACD, are summarized as follows:

(Dollars in Thousands)	<u>1991</u>	<u>1992</u>	<u>1993</u>
Total Operating Revenues	\$477,686	\$509,566	\$551,077
Total Deductions	<u>436,131</u>	<u>466,818</u>	<u>498,036</u>
Internal Cash Generation	\$ 41,555	\$ 42,748	\$ 53,041
Less:			
Electric & Comm.			
Construction	44,740	67,485	78,703
Gas & Water Construction	39,574	42,091	44,125
Gas & Water Net Advances	(185)	(882)	(1,138)
Other Net Advances	<u>(901)</u>	<u>(1,322)</u>	<u>(1,541)</u>
Cash Requirements	\$ 41,673	\$ 64,624	\$ 67,108
Net Proceeds--Financing	<u>39,841</u>	<u>64,624</u>	<u>67,108</u>
Balance	\$ (1,832)	\$ 0	\$ 0
Cash--Beginning of Period	<u>3,832</u>	<u>2,000</u>	<u>2,000</u>
Cash--End of Period	\$ 2,000	\$ 2,000	\$ 2,000
<u>Net Proceeds--Financing</u>			
Net Change--Short-Term Debt	\$(30,521)	\$ 33,662	\$(19,547)
First Mortgage Bonds:			
Regular	0	0	0
Tax-Exempt	40,091	42,322	41,543
Tax-Exempt Interest	(7,380)	(5,848)	(4,358)
Preferred Stock	0	0	0
Proceeds from Parent	45,000	0	50,000
Less:			
Long-Term Sinking Funds	<u>7,349</u>	<u>5,512</u>	<u>530</u>
Net Proceeds--Financing	\$ 39,841	\$ 64,624	\$ 67,108

Findings of Fact

1. Sierra Pacific, a Nevada corporation, operates as a public utility under the jurisdiction of this Commission.
2. Sierra Pacific has need for external funds for the purposes set forth in the application.
3. The proposed financing would be for a proper purpose and would not be adverse to the public interest.
4. The money, property, or labor to be procured, or paid for, by the proposed financing is reasonably required for the purposes specified in the application.

ORDER

IT IS ORDERED that:

1. Sierra Pacific Power Company (Sierra Pacific), on or after the effective date of this order, may issue unsecured short-term promissory notes (twelve months or less), with an aggregate total for outstanding short-term notes at any given time not to exceed \$90,000,000.

2. This authority to issue short-term unsecured promissory notes expires on December 31, 1993.

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

4. The Application is granted as set forth above.

The authority granted by this order to issue the financing will become effective when Sierra Pacific pays \$5,921.00, the fee set by Public Utilities Code §1904(b). In all other respects, this order is effective today.

Dated December 4, 1991, at San Francisco, California.

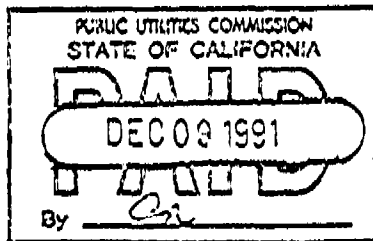
PATRICIA M. ECKERT
President

JOHN B. OHANIAN

DANIEL Wm. FESSLER

NORMAN D. SHUMWAY

Commissioners



Rec. #35082
\$ 5,921.00

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

[Signature]
MARK J. SPILLAN, Executive Director