

CACD/RHG

Decision 92-05-062 May 20, 1992

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 no par value Pre-)
ferred Stock, in one or more series,)
with an aggregate stated value of up)
to and including \$100,000,000.)

ORIGINAL

Application 92-01-032
(Filed January 16, 1992)

O P I N I O N

Summary of Decision

This decision grants The Washington Water Power Company's (WWPC) request for authority to issue and sell shares of no par value Preferred Stock, in one or more series, with an aggregate stated value of up to and including \$100,000,000 as described in Application 92-01-032 (Application). This authority is granted under §§816 through 830 of the California Public Utilities Code (PU Code).

WWPC will seek the necessary regulatory commission approvals in Washington, Idaho, and Oregon for the issuance of this Preferred Stock.

Notice of the filing of the Application appeared on the Commission's Daily Calendar of January 27, 1992. No protests have been received.

Background

WWPC, a public utility based in Spokane, Washington, is engaged in the generation, transmission, distribution, and sale of electric energy to residential, commercial, and industrial customers in Eastern Washington and Northern Idaho, and at wholesale to public utilities, municipalities and others. Natural gas is distributed to residential, commercial, and industrial customers in Eastern Washington, Northern Idaho, Central and Southwest Oregon, and South Lake Tahoe, California.

For the eleven months ended November 30, 1991 WWPC reported it generated total operating revenues of \$433,593,000 and net income of \$60,438,000 shown as part of Exhibit B(h)-ii to the Application.

Also shown as part of Exhibit B(h)-i is WWPC's Balance Sheet as of November 30, 1991 which is summarized below:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$1,140,493,000
Other Property and Investments	204,118,000
Current Assets	57,046,000
Deferred Charges	<u>58,065,000</u>
Total	\$1,459,723,000
<u>Liabilities and Equity</u>	<u>Amount</u>
Common Equity	\$ 514,575,000
Preferred Stock	125,000,000
Long-Term Debt	613,189,000
Current Liabilities	96,814,000
Deferred Credits	<u>110,145,000</u>
Total	\$1,459,723,000

Equity Financing

WWPC proposes to issue and sell up to and including \$100,000,000 of Preferred Stock, no par value, at any time over the next two years when market conditions are optimum and financing requirements necessitate additional equity. WWPC will seek the necessary regulatory commission approvals in Washington, Idaho, and Oregon for the issuance of the Preferred Stock with an aggregate stated value of up to and including \$100,000,000 as described in the Application.

WWPC will submit to the Commission copies of the final prospectus filed with the Securities and Exchange Commission (SEC) in connection with this Preferred Stock offering.

Description of Plan and Manner of Issuance

The terms for the sale of each series will be determined at the time of issuance and underwriters, agents or other purchasers will be selected at that time. The redemption

provisions will determine the term of the new preferred stock. If mandatory redemption provisions are a part of the new preferred stock, they will be supplied at the time of issuance. If the stock has non-mandatory redemption provisions, the term is perpetual. If the dividend rate is a fixed rate, it will be negotiated and supplied at the time of issuance. If the dividend rate is a floating rate, the initial rate will be negotiated and supplied at the time of issuance and subsequent dividend rates will be determined by market conditions.

The names of the underwriters, agents or other purchasers will be supplied to this Commission at the time of issuance.

Exemption from Competitive Bidding

The breakdown of WWPC's total operating revenues for the year ended December 31, 1991, shown as part of Supplemental Exhibit I to the Application, are as follows:

Total Washington, Idaho & Montana	\$472,619,342
Oregon	8,755,170
California	<u>3,700,150</u>
Total Company Operating Revenues	\$485,074,662

As shown above, the revenue generated by WWPC in California is only \$3,700,150 or .76% of total operating revenues. The majority of WWPC's revenues are derived from Washington, Idaho, and Montana.

Rules adopted by this Commission in D.38614 dated January 15, 1946 in Case 4761, as amended by D.49941, D.75556 and D.81908 generally require California public utilities to obtain competitive bids for the purchase of their debt securities. The rules also authorize this Commission to grant exemptions from the competitive bidding requirements in response to the numerous changes which have occurred in the financial markets since the adoption of the Competitive Bidding Rule. WWPC's California revenue when compared to the revenues generated from Washington, Idaho, and Montana is not significant.

CACD has determined that because of the small size of WWPC's California operations, it should be exempted from the Competitive Bidding Rule. The Commission has considered CACD's recommendation and, finding it reasonable, will adopt it.

Construction Budget

A summary of WWPC's construction program will approximate the following, as summarized and included as Supplemental Exhibit A to WWPC's Application:

<u>Item</u>	<u>Amount</u>	
	<u>1991</u>	<u>1992</u>
	(Actual data)	
Electric:		
Production	\$ 18,773,000	\$ 26,083,000
Transmission and Distribution	26,955,000	34,511,000
General	<u>8,955,000</u>	<u>8,066,000</u>
Total Electric	\$ 54,683,000	\$ 68,660,000
Gas:		
Washington/Idaho	\$ 13,212,000	\$ 12,528,000
Oregon/California *	<u>73,743,000</u>	<u>7,370,000</u>
Total Gas	\$ 86,955,000	\$ 19,898,000
Weatherization	\$ 1,611,000	\$ 17,482,000
Preliminary Survey and Investigation	2,228,000	109,000
	<u> </u>	<u> </u>
Total	\$145,477,000	106,149,000

* 1991 data includes acquisition of CP National properties in Oregon and South Lake Tahoe, CA.

CACD has reviewed the Application and WWPC's construction program budget. CACD concludes that the proposed financing is necessary for WWPC's construction requirements; 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 November 30, 1991, recorded, and at November 30, 1991, pro forma after giving effect to the proposed \$100,000,000 Preferred Stock offering, are as set forth below:

	<u>Recorded</u>		<u>Pro Forma</u>	
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>
Long-Term Debt	\$ 613,189,000	48.9%	\$ 734,189,000*	47.7%
Pref. Stock	125,000,000	10.0%	150,000,000**	9.7%
Common Stock	514,575,000	41.1%	657,521,000***	42.6%
Totals	\$1,252,764,000	100.0%	\$1,541,710,000	100.0%

* Includes \$11 million of Medium Term Notes, Series A, \$85 million of Medium Term Notes, Series B (the remaining \$65 million of the Series B shelf registration will be used to refinance previously issued debt), and \$25 million from the new California Debt Securities Shelf Application (remaining \$400 million is divided into \$200 million for refinancing previously issued debt and \$200 million for new Bank Lines of Credit replacing the current \$150 million Bank Lines of Credit).

** \$75 million of \$100 million shelf application will be used to redeem previously issued Preferred Stock (\$20 million shelf registration from March 1990 will be rolled into new \$100 million shelf application).

*** Includes estimated \$5,590,000 from the Company's Employee Stock Purchase Plan, \$54,280,000 from the Company's Dividend Reinvestment Plan, \$11,993,000 from the Company's 401-K Investment Plan, the \$21,395,000 remaining from the first Periodic Offering Program of 750,000 shares, and the

\$49,688,000 estimated net proceeds from the second Periodic Offering Program of 1,500,000 shares (using current market price of \$33.125 per share as of the close of business 1-13-92).

All of WWPC's outstanding issues have been previously authorized by the respective utility commissions in the states of Washington, Idaho, and Oregon.

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 1991 and 1992 are summarized as follows:

<u>Components</u>	<u>1991 *</u> (Actual data)	<u>1992</u>
Funds Needed for Construction Expenditures	\$145,477,000	\$106,149,000
Funds Used or Required for Cash Dividends	67,810,000	69,192,000
Maturities of Long-Term Debt	8,842,000	45,000,000
Maturities of Medium-Term Debt	0	30,000,000
Preferred Stock Redemption	0	25,000,000
Total	\$222,129,000	\$275,341,000
Less:		
Estimated Cash Available from Internal Sources	120,623,000	133,833,000
Additional New Funds Required From Outside Sources	\$101,506,000	\$141,508,000

* 1991 data includes acquisition of CP National properties in Oregon and South Lake Tahoe, CA.

CACD has analyzed WWPC's cash requirements forecast for 1991 and 1992, provided in WWPC's Supplemental Exhibit C. CACD has concluded that internally generated funds will only provide \$120,623,000 or 54.3% of WWPC's cash requirements for 1991 and \$133,833,000 or 48.6% in 1992. WWPC projects it will need funds

from external sources amounting to \$141,508,000 in 1992. CACD concludes that the proposed issuance of WWPC Preferred Stock is necessary to help meet forecasted cash requirements which includes capital expenditures.

CACD has reviewed the application and has concluded that the proposed issuance of WWPC's Preferred Stock in one or more series 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 seeks proceeds of \$100,000,000.

In the Application, WWPC proposes to use the funds for any or all of the following purposes: (1) the applicant's construction program, (2) to redeem other outstanding Preferred Stock of the applicant, and (3) to reimburse the treasury for funds previously expended for such purposes.

WWPC will submit copies of the final prospectus filed with the Securities and Exchange Commission (SEC) in connection with the Preferred Stock offering to CACD within 15 days of execution.

CACD recommends that the Commission grant the authority, absent a prospectus, based on the stated use of proceeds as appearing on the Application. The Commission concurs and will adopt CACD's recommendation.

WWPC is placed on notice, by this decision, that the offering of the \$100,000,000 Preferred Stock (no par value) must conform with the foregoing stated purposes.

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 Preferred Stock would be for proper purposes, conforming with the provisions of PU Code §817.

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 Preferred Stock is reasonable and required for the purposes specified in WWPC's Application.

5. WWPC is seeking the necessary regulatory commission approvals in Washington, Idaho, and Oregon for the issuance of the Preferred Stock with an aggregate stated value of up to and including \$100,000,000.

6. WWPC's 1991 California revenue is only 0.76% of total operating revenues.

7. There is no known opposition to the Application and there is 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 is for lawful purposes and the money, property, or labor to be obtained by it are required for these purposes. Proceeds from the Preferred Stock issue 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. Because WWPC's California revenue is less than 1% of total revenues, it should be granted exemption from the Competitive Bidding Rule.

6. WWPC will pay the fee in accordance with PU Code §§1904.1 and 1904.2(b).

ORDER

IT IS ORDERED that:

1. On or after the effective date of this order, Washington Water Power Company (WWPC) may issue and sell at any time over the next two years, shares of no par value Preferred Stock, in one or more series, with an aggregate stated value of up to and including \$100,000,000.

2. WWPC shall apply the net proceeds from the sale of its Preferred Stock to the purposes set forth in this decision.

3. WWPC's proposed issuance and sale of Preferred Stock is exempted from the requirements of the Commission's Competitive Bidding Rule.

4. WWPC shall file with the Commission Advisory and Compliance Division (CACD) copies of its final Prospectus, pertaining to the offering authorized by this Order, within 15 days of execution. This Prospectus shall state the purposes set forth in the Decision.

5. On or before the 25th day of each month, WWPC shall file the reports required by General Order Series 24.

6. WWPC shall submit an original and four copies of the Prospectus and the reports required by ordering paragraphs 3 and 4 to the CACD with a transmittal letter stating the application and decision numbers. The Director of the CACD shall send the original and one copy of each report to the Docket Office for filing.

7. The Application is granted as set forth above.

8. The authority granted by this order to issue the Preferred Stock will become effective when WWPC pays \$1,525.60, the fee set forth by Public Utilities Code §1904(b). In all other respects this order is effective today.

Dated May 20, 1992, at San Francisco, California.

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
NORMAN D. SHUMWAY
Commissioners

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PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
MAILED
MAY 21 1992
By _____

Commissioners ~~BY~~ ~~THIS~~ ~~DECISION~~,
being necessarily absent, did not
participate. ~~WAS~~ ~~APPROVED~~ ~~BY~~ ~~THE~~ ~~ABOVE~~
COMMISSIONERS TODAY

[Signature]
PB HERB J. SOULMAN, Executive Director