CACD/RHG

Decision 92-05-064 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 one or more series of Debt Securities, to use credit enhancements, to enter into interest rate caps, collars and swaps, and to guarantee the obligations of others in respect of the issuance of certain tax-exempt Debt Securities, the total aggregate principal amount of such indebtedness and guarantees not to exceed $425,000,000; to execute and deliver one or more indentures; to sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property; and for an exemption from the Commission's Competitive Bidding Rule.	ORIGINAL Application 92-01-036 (Filed January 15, 1992)

OPINION

Summary of Decision

This decision grants The Washington Water Power Company (WWPC) the authority requested in Application (A.) 92-01-036.

WWPC requests authority, pursuant to §§816 through 818, §821, §830, and §851 of the California Public Utilities Code (PU Code) for the following:

1) To issue one or more series of First Mortgage Bonds, Debentures, Notes, Commercial Paper, or other Floating Rate Debt, to enter into Loans (collectively, Debt Securities) and/or to guarantee unconditionally or otherwise secure the obligations of one or more political subdivisions (Authority) in respect of their issuance of debt for facilities qualifying for tax-exempt financing under federal law (Eligible Facilities);

2) To arrange Credit Agreements or other credit facilities as may be necessary for the purpose of issuing the Debt Securities and to modify such credit facilities without further authorization from the Commission;

3) To execute and deliver an indenture or one or more supplemental indentures in connection with any issue of Debt Securities and to sell, lease, assign, mortgage or otherwise dispose of or encumber utility property in connection with the issuance and sale of Debt Securities;

4) To issue, sell and deliver Debt Securities by public offering or private placement;

5) To exempt WWPC from the Commission's Competitive Bidding Rule with respect to obtaining Loans, issuing Debt Securities or otherwise guaranteeing or securing Authority Bonds in conjunction with financing Eligible Facilities, issuing Variable Rate Debt Securities, Notes and entering into interest rate swap contracts in conjunction with the issuance of Debt Securities.

6) To provide that the total aggregate principal amount of issuances of Debt Securities and guarantees made by WWPC shall not exceed $425,000,000, and that in the opinion of the Commission, the money, property and labor to be procured or paid with the net proceeds therefrom is reasonably required for the purposes specified in this Decision and that such proceeds, are not, in whole or in part, reasonably chargeable to operating expenses or to income;

7) To provide that WWPC may utilize at its discretion certain credit enhancements and may enter into certain interest rate caps, collars, and interest rate swap contracts (Swaps), with the authorization for Swaps not to exceed $100,000,000; and

8) To provide that the authority granted in this Decision shall be effective when WWPC has paid the fee prescribed by PU Code §1904(b).

WWPC will seek the necessary regulatory commission approvals in Washington, Idaho, and Oregon for the issuance of this series of Debt Securities.

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 is a corporation organized and existing under the laws of the State of Washington, and is primarily engaged in the business of generation, transmission, distribution, and sale of electric energy, which it sells at retail to approximately 252,000 residential, commercial, and industrial customers in Eastern Washington and Northern Idaho, and at wholesale to public utilities, municipalities, and others.

WWPC is also in the business of selling and distributing natural gas to approximately 158,000 residential, commercial, and industrial customers in Eastern Washington, Northern Idaho, Central and Southwest Oregon, and South Lake Tahoe, California. WWPC's California utility revenues for the year ended December 31, 1991, were estimated to be .76% of total operating revenues of $485,074,662, as shown in Supplemental Exhibit I of the Application.

Shown as part of Exhibit D to the Application is WWPC's Balance Sheet as of November 30, 1991 which is summarized below:

Assets	Amount
Net Utility Plant	$1,140,493,000
Other Property and Investments	204,118,000
Current Assets	57,046,000
Deferred Charges	58,065,000
Total	$1,459,723,000

Liabilities and Equity	Amount
Common Equity	$ 514,575,000
Preferred Stock	125,000,000
Long-Term Debt	613,189,000
Current Liabilities	96,814,000
Deferred Credits	110,145,000
Total	$1,459,723,000

Debt Securities

WWPC seeks authorization to issue Debt Securities, the total aggregate principal amount not to exceed $425,000,000. The principal amount and the terms and conditions of each issue of Debt Securities will be determined by WWPC's management and/or Board of Directors according to market conditions at the time of sale.

A. Secured Debt Securities (Bonds)

Security for Bonds may be included in the form of a lien on property (first mortgage bonds, which may include secured medium term notes), a letter of credit, a standby bond purchase agreement, an insurance policy provided by a third party, or through other credit enhancement arrangements.

B. Unsecured Debt Securities (Debentures)

Debentures may be sold to underwriters or through agents who in turn will offer the Debentures to investors, or may be sold directly to investors, either with or without the assistance of a private placement agent.

C. Medium-Term Notes (Notes)

Notes may require registration under the federal securities law. Notes may be issued as part of a program on a continuous or periodic basis. WWPC may sell Notes through a placement agent who markets Notes on a reasonable efforts basis. WWPC may also sell Notes to underwriters who in turn offer Notes to investors or may sell Notes directly to investors.

D. Direct Loans (Loans)

WWPC anticipates that from time to time it may be advantageous to borrow directly from banks, insurance companies, or other financial institutions.

E. Commercial Paper (CP)

WWPC anticipates it may issue CP with maturities of nine (9) months or less. The CP may be sold privately or publicly in the domestic market. The CP may be sold through placement agents on a reasonable basis, or may be sold directly to investors. WWPC anticipates it will arrange a long-term credit agreement with banks or other financial institutions to provide liquidity support for the CP indebtedness.

F. Other Floating Rate Debt

The types of Other Floating Rate Debt include, but are not limited to, borrowings under bank credit facility agreements bearing interest based on the prime rate of banks, certificates of deposit, LIBOR or other money market rates; debt instruments bearing interest based on the prime rate of banks; bankers' acceptances; and new short-term variable rate instruments.

Terms and Conditions

With the exception of CP, each issue of Debt Securities may contain a provision allowing it to be redeemed or repaid prior to maturity. An early redemption provision may allow the Debt Securities to be redeemed or repaid at any time, or it may allow the Debt Securities to be redeemed or repaid only after a certain restrictive period. In either case, the Debt Securities would be redeemable at par or at a premium over par.

Debt Securities may bear a fixed or floating rate of interest and may be issued at par or with an original issue discount or premium.

With the exception of Notes, CP, and Other Floating Rate Debt, each series of Debt Securities is expected to have a maturity of between one (1) year and forty (40) years. CP may be issued with maturities of nine (9) months or less, but may be rolled over for periods exceeding twelve (12) months. Notes are expected to have a maturity of between nine (9) months and forty (40) years. The maturities of Other Floating Rate Debt will be determined at the time of issue.

With the exception of Loans, CP and other Floating Rate Debt, each issue of Debt Securities may be issued under an indenture or a supplement to an existing indenture to be delivered to the Trustee for such issue.

Features to Enhance Debt Securities

The following features will be used as appropriate to improve the terms and conditions of WWPC's Debt Securities and to lower its overall cost of money for the benefit of ratepayers:

A. Put Option

This allows the holders of Debt Securities to require WWPC to repurchase all or a portion of each holder's securities. This is the reverse of a call provision whereby WWPC would have the right to require debtholders to sell the Debt Securities back to WWPC. Debtholders may be willing to accept a lower interest rate in exchange for the protection that a put option offers.

B. Sinking Fund

From time to time the cost of Debt Securities may be reduced by the use of a sinking fund. WWPC wishes to preserve the ability to use this option should a market preference develop.

C. Tax-Exempt Feature

From time to time the cost of debt financings may be reduced by entering into financing arrangements with one or more political subdivisions which are able to issue tax exempt debt. WWPC anticipates using the tax-exempt option whenever its facilities qualify for tax-exempt financing under federal law.

D. Warrants

The cost of Debt Securities may be reduced by attaching warrants whereby the holder is entitled to purchase an additional bond or debenture with pre-established terms and conditions, or to purchase a share of common stock. The Debt Security to be issued upon exercise of a debt warrant would bear interest at a pre-established rate and would mature at a pre-established time.

Interest Rate Caps, Collars, and Swaps

In normal market conditions, variable interest rate debt intially carries a lower interest rate than comparable fixed rate debt. However, there is a possibility that the variable rate could increase so that the average variable rate is higher than the fixed rate. In order to reduce customers' exposure to interest rate risk, WWPC may negotiate a maximum rate, usually called a "cap". In that case, even if variable rates increase above the cap or ceiling rate, WWPC would only pay the ceiling rate. In addition to the ceiling rate, sometimes the counterparty to the contract desires to have a floor rate. In the event that the variable rate falls below the floor rate, WWPC would pay the floor rate. Such floor and ceiling rates are called interest rate collars because the interest rate fluctuates within a band which is negotiated between WWPC and the counterparty. Such protection for variable rate obligations is not unlike protection negotiated by consumers for variable rate home mortgages.

From time to time, WWPC may be able to reduce its borrowing costs by issuing fixed or floating rate debt and entering into one or a series of interest rate swap (Swap) contracts to convert fixed interest payments into favorable floating rate payments or vice versa, or to convert floating rate payments tied to one index (e.g., LIBOR) into floating rate payments tied to another index (e.g., the Federal Reserve Composite Rate for Commercial Paper). Examples of possible Swap transactions are as follows:

(a) Instead of issuing fixed rate debt, it may at times be advantageous for WWPC to issue CP and enter into a Swap with a financial institution (Institution) such that the Institution pays WWPC the Federal Reserve Composite Rate for CP and WWPC pays the Institution a fixed rate. WWPC's CP financing combined with the Swap results in a fixed rate financing for WWPC. If this fixed rate is lower than the rate at which WWPC could issue fixed rate debt directly, then the result is a savings for ratepayers.

(b) Instead of issuing floating rate debt, it may at times be advantageous for WWPC to issue fixed rate Notes and enter into a Swap with an Institution such that the Institution pays WWPC a fixed rate and WWPC pays the Institution a floating rate. WWPC's fixed rate financing combined with the Swap results in a floating rate financing for WWPC. If this floating rate is lower than the rate at which WWPC could issue floating rate debt directly, then the result is a savings.

(c) Instead of issuing floating rate debt with an interest rate tied to the CP rate, it may at times be advantageous for WWPC to borrow at a floating rate based on another index (e.g., Libor) and enter into a Swap with an Institution such that the Institution pays WWPC a LIBOR based floating rate and WWPC pays the Institution a Commercial Paper based floating rate. WWPC's LIBOR based borrowing combined with the Swap results in a Commercial Paper based financing for WWPC. If this rate is lower than the rate at which WWPC could obtain Commercial Paper based funding directly, then the result is a savings.

Swaps will be denominated in U.S. dollars. Swaps would be negotiated with a major financial intermediary (such as a commercial bank) or directly with a principal seeking the other side of the Swap transaction. The swap contract may specify that the exchange of interest payments will commence either immediately or at a future date. For example, if an advantageous Swap transaction were available currently, but WWPC did not need funds until some future date, WWPC might enter into the Swap with the exchange of interest payments commencing on that future date.

WWPC will enter into these Swap contracts only when such arrangements provide an overall cost of money lower than that available through the issuance of alternate Debt Securities. WWPC requests that it be allowed to enter into Swap agreements not to exceed $100,000,000, which may be applied to any of WWPC's debt, and independent of the $425,000,000 issuance of Debt Securities.

The Commission Advisory and Compliance Division (CACD) concurs with WWPC and recommends that within 15 days after entering into a Swap, WWPC furnish the Commission with a report comparing the all-in cost of the Swap with the all-in cost of money without a Swap. In addition, WWPC should submit a semiannual report to the Commission showing all Swap receipts and payments. This report would only be filed for periods during which a Swap is outstanding.

The following restrictions and limitation would be placed on WWPC in relation to Swaps:

1. <u>Reports</u>
   a. Within 15 days of entering into a Swap, WWPC shall furnish to the CACD a report analyzing the Swap including all costs associated with the Swap in comparison to a projection of all-in cost without a Swap.
   b. Within 45 days of entering into a Swap, WWPC shall provide CACD with a complete copy of the executed agreement and all associated documentation.
   c. WWPC shall separately report all interest income and/or expenses arising from all Swaps in all monthly and annual financial reports to the Commission.

2. <u>Limit on Rate Recovery</u>
   a. If WWPC elects to terminate a Swap before the original maturity or the Swap partner terminates the Swap, all costs associated with the termination shall be subject to review in WWPC's next Cost of Capital proceeding.

3. <u>Limit on Amount of Swaps</u>
   a. WWPC shall not issue more than $100,000,000 in Swaps for purposes of this authorization. This amount is independent of the $425,000,000 issuance of Debt Securities.

The Commission has considered CACD's recommendations and, finding them reasonable, will adopt them as stated above.

WWPC is placed on notice, by this decision, that the Commission will review the reasonableness of the effective interest rates for Swaps issued by WWPC in conjunction with WWPC's next Cost of Capital proceeding. Any reductions in the effective cost of money resulting from Swap transactions will be passed on to WWPC's ratepayers in future Cost of Capital proceedings as a reduction of the cost of money for all Debt Securities in WWPC's capital structure. Any losses resulting from Swaps shall not be passed on to ratepayers as an increase in the cost of money for all Debt Securities.

Exemption from Competitive Bidding

WWPC requests an exemption from the Competitive Bidding Rule with respect to the issuance of its Debt Securities based on the following:

1) Resolution F-616, Ordering Paragraph No. 3, provides that debt issues for which competitive bidding is not viable or available are exempted.

2) WWPC's External funds requirement for California is insignificant compared to Washington, Idaho and Montana. The revenue generated by WWPC in California is only $3,700,150 or .76% of total operating revenues.

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 occured in the financial markets since the adoption of the Competitive Bidding Rule.

In Resolution F-616, Ordering Paragraph No. 3, this Commission exempted from the Competitive Bidding Rule all "debt issues for which competitive bidding is not viable or available." The Report on the California Public Utilities Commission's Competitive Bidding Rule for Issuance of Debt Securities, dated September 5, 1986 (Report), contained a discussion of reasons for the exemption and specifically referred to types of debt instruments that should be exempt. The Report states, in relevant part:

> A number of...debt securities, either by their nature or by established business practices do not lend themselves to competitive bidding. Securities privately placed with specific lenders and bank term loans obviously must be negotiated. Competitive bidding is not presently available in European or Japanese markets...Variable interest rate debt is normally completed on a negotiated basis. It is reasonable that these types of instruments should be exempt from the Competitive Bidding Rule. However, domestic issues of Debentures and First Mortgage Bonds still lend themselves quite nicely to competitive bidding...

WWPC states in the Application that Debt Securities which are sold through a placement agent on a reasonable efforts basis in a manner analogous to that used for CP should be exempt from the Commission's Competitive Bidding Rule.

CACD agrees that the terms and conditions of Debt Securities issued in each financing sold by means other than competitive bidding will be determined by negotiations between WWPC and the underwriters selected for the proposed offering or the lenders or investors to whom the Debt Securities are to be issued. The amount, terms and conditions of debt financing obtained through commercial bank borrowings will be established by negotiations between WWPC and the lenders. However, domestic underwritten public offering of fixed-interest rate Debentures and First Mortgage Bonds with an aggregate amount over $20,000,000 is subject to the Competitive Bidding Rule.

The breakdown of WWPC's total operating revenues for the year ended December 31, 1991, are as follows:

Total Washington, Idaho & Montana	$472,619,342
Oregon	8,755,170
California	3,700,150
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.

CACD has determined that WWPC has made a compelling showing that exemptions from the Competitive Bidding Rule are warranted and recommends that the following specific Debt Securities be exempted from the Rule: Loans, Foreign Securities, Overseas Indebtedness, Notes, and Debt Securities issued with a variable rate of interest. In addition, CACD has also determined that WWPC has a just and valid claim in requesting exemption from the Competitive Bidding Rule for all fixed rate Debentures and First Mortgage Bonds. WWPC's California revenue when compared to the revenues generated from Washington, Idaho, and Montana is not significant. We will accept CACD's recommendations.

We place WWPC on notice that if it chooses to issue and sell the company's Debt Securities by means of negotiated private placements, or negotiated public offerings where approved by this decision, the reasonableness of the resulting interest rate and cost of money to the company will be closely scrutinized in WWPC's general rate proceeding. The same thing applies to Swap contracts. This may result in a disallowance of the interest expense if it is determined that the cost of money incurred was not prudent. We will also require WWPC to provide us with a showing of why it believes that the resulting interest rate and cost of money were advantageous to WWPC and its ratepayers. We will require the showing within 15 days after issuance of WWPC's Debt Securities. In the instance of a Swap, we will require the showing within 45 days after executing the agreement.

Construction Budget

A summary of WWPC's construction program for 1991 and 1992, included as Supplemental Exhibit A to WWPC's Application, is set forth below:

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

	Recorded		Pro Forma	
	Amount	Percentage	Amount	Percentage
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 utility commissions of 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 is summarized as follows:

Components	1991* (Actual)	1992
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 one or more series of Debt Securities is necessary to help meet forecasted cash requirements which includes capital expenditures.

The Commission has considered CACD's recommendations and, finding them reasonable, will adopt them as stated above.

Use of Proceeds

WWPC proposes to use the proceeds for any or all of the following purposes: (1) to reimburse WWPC for money it has actually expended from income or from any other money in its treasury not secured by or obtained from the issue of stocks or stock certificates or other evidences of interest or ownership, or bonds, notes, or other evidences of WWPC's indebtedness, (2) for the acquisition of property or for the construction, completion, extension or improvement of WWPC's facilities exclusive or maintenance of service and replacements and/or (3) for the retirement or the refunding of securities previously issued. The amounts so reimbursed will become part of WWPC's treasury fund.

CACD has reviewed WWPC's Application and its proposed sale of Debt Securities for the purposes set forth in the Application and has concluded that WWPC's proposed financings are necessary to provide funds for the purposes set forth in the Application. Furthermore, CACD has no objection to the proposed financings.

Findings of Fact

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

2. WWPC has need for external funds for the purposes set forth in the Application.

3. The proposed Debt Securities are for proper purposes.

4. Authorizing WWPC to determine the precise amount and timing of each financing, the market in and method by which each financing is effected, and the price, interest rate, and other material provisions of the Debt Securities issued in each financing, within the constraints set forth in this Decision, is not adverse to the public interest.

5. Debt Securities features are tools which may improve the terms and conditions of debt issues and may lower overall cost of money for the benefit of the customers.

6. WWPC should enter into Loans only when the Loans are designed to result in an overall cost of money lower than that available through the issuance of alternative Debt Securities.

7. It is proper for ratemaking purposes that any reduction in the effective cost of money resulting from Swaps be passed on to ratepayers in future rate proceedings as a reduction in the cost of money for all Debt Securities.

8. It is proper for ratemaking purposes that any losses resulting from Swaps not be passed on to ratepayers in future rate proceedings as an increase in the cost of money for all Debt Securities.

9. Authorizing WWPC to mortgage or otherwise encumber its properties as security for its Debt Securities or other evidences of indebtedness is not adverse to the public interest.

10. The use of Swaps, interest caps, and collars is reasonable within the limitations proposed herein.

11. The Commission does not by this decision determine that WWPC's construction budget is necessary or reasonable for ratemaking purposes. These issues are normally tested in general rate case or rate base offset proceedings.

12. WWPC is placed on notice that the Commission does not find that WWPC's capitalization ratios or the inclusion of short-term debt in its capital structure is necessary or reasonable for ratemaking purposes. These are issues normally tested in general rate case or cost of capital proceedings.

13. A limit on Swaps of the greater of 16.3% or $100,000,000 of WWPC's total aggregate long-term debt outstanding at any time is reasonable and is not adverse to the public interest.

14. WWPC has a valid claim for requesting exemption from the Competitive Bidding Rule for all the debt securities requested in the Application.

15. The proposed issuance of Debt Securities are for lawful purposes and the money, property, or labor to be procured, or paid for by them are required for these purposes.

16. WWPC is seeking the necessary regulatory commission approvals in Washington, Idaho, and Oregon for the issuance of the Debt Securities.

17. WWPC's California revenue is only 0.76% of total revenue.

18. 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 issuance and sale of Debt Securities, including features to enhance the terms and conditions of the offerings, are for lawful purposes and the money, property, or labor to be obtained are required for these purposes. Proceeds from the Debt Securities issues may not be charged to operating expenses or income.

4. WWPC has demonstrated by the size of its California operation and where competitive bidding is not viable or available, that it should be exempted from the Competitive Bidding Rule.

5. The following order should be effective on the date of signature and payment of a fee of $4,241.90 as set forth by §1904(b) of the PU Code.

ORDER

IT IS ORDERED that:

1. On or after the effective date of this order, Washington Water Power Company (WWPC) may issue and sell first mortgage bonds, debentures, notes, commercial paper, other floating rate debt, and to enter into loans (collectively, Debt Securities); and/or guarantee unconditionally or otherwise secure the obligations of one or more political subdivisions with respect to their issuance of debt for facilities qualifying for tax-exempt financing under federal law.

2. Debt securities may include one or a combination of features to enhance Debt Securities as set forth in this decision and shall be issued upon terms and conditions substantially consistent with those authorized in this decision. The total aggregate principal amount of issuances of Debt Securities and guarantees which may be made under the Application shall not exceed $425,000,000.

3. WWPC shall enter into loans only when the loans are designed to result in an overall cost of money lower than that available through the issuance of alternative Debt Securities.

4. WWPC may arrange credit agreements or other credit facilities as may be necessary for the purpose of issuing the Debt Securities and may modify such credit facilities without further authorization from the Commission.

5. WWPC may execute and deliver an indenture or one or more supplemental indentures in connection with any issue of Debt Securities hereunder, and sell, lease, assign, mortgage or otherwise dispose of or encumber, utility property in connection with the issuance and sale of any Debt Securities.

6. WWPC may issue, sell and deliver Debt Securities by public offering or private placements.

7. WWPC's proposed issuance and sale of all Debt Securities, notes, obtaining loans, and entering into interest rate swap contracts in conjunction with the issuance of Debt Securities are exempted from the requirements of the Commission's Competitive Bidding Rule.

8. The money, property and labor to be procured or paid for with the net proceeds from the issuance of Debt Securities and guarantees hereunder is reasonably required for the purposes specified in this decision and such proceeds, except as otherwise authorized for accrued interest, are not, in whole or in part, chargeable to operating expenses or to income.

9. WWPC may utilize at its discretion certain credit enhancements and may enter into certain interest rate caps, collars, and swap contracts (Swaps) as described in this decision. Swaps shall not exceed the greater of $100,000,000 or 16.3% of WWPC's total outstanding long-term debt at any time.

10. WWPC shall notify the Commission Advisory and Compliance Division (CACD), in writing, within thirty days of ascertaining the price, interest rate and other terms pertaining to its issuance of Debt Securities.

11. If the Debt Securities are sold by means of a public offering, WWPC shall submit to CACD three copies of its final prospectus pertaining to the Debt Securities within fifteen days after the prospectus is initially distributed.

12. If WWPC enters into contractual agreements to induce third parties to provide credit enhancements or interest rate protections/conversions in conjunction with the issue and sale of Debt Securities, within thirty days after the issuance and sale of any series of Debt Securities WWPC shall submit to CACD a detailed listing of the costs of the credit enhancements and a report showing why WWPC believes the cost of money and cost of the credit enhancements were advantageous to WWPC and its ratepayers.

13. Within fifteen days of entering into a Swap, WWPC shall furnish to CACD a report analyzing the Swap including all costs associated with such a contract in comparison to a projection of all-in cost without such a contract.

14. Within forty-five days of entering into a Swap, WWPC shall provide CACD with a complete copy of the executed agreement and all associated documentation.

15. WWPC shall separately report all interest income and/or expenses arising from all Swaps in all monthly and annual financial reports to the Commission.

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

17. WWPC shall submit an original and four copies of the reports required by ordering paragraphs 10 through 16 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.

18. Any reduction in the effective cost of money resulting from Swaps shall be passed on to ratepayers in future rate proceedings as a reduction in the cost of money for all Debt Securities. Any losses resulting from Swaps shall not be passed on to ratepayers as an increase in the cost of money for all Debt Securities.

19. WWPC shall use the net proceeds from the sale of the Debt Securities for the purposes set forth in the Application.

20. The Application is granted as set forth above.

21. The authority granted by this order to issue Debt Securities shall become effective when WWPC pays $4,241.90, 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.

3 5411 - $4,241.90

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
PAID
MAY 21 1992
By

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

Commissioner Patricia M. Eckert, being necessarily absent, did not participate.

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

NEAL J. SHULMAN, Executive Director