

Decision 92 06 032 JUN 0 3 1992

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 within its
discretion either (a) to issue and
sell by competitive bid First
Mortgage Bonds or (b) to issue and
sell Medium-Term Notes, or to issue
and sell both such bonds and notes
so long as the aggregate principal
amount of either or both does not
exceed \$115,000,000, and authorizing
the execution of all documents and
taking of all action required for
the completion of such financing,
including indentures and
supplemental indentures. (UO-903E)

ORIGINAL

Application 92-02-027
(Filed February 18, 1992)

O P I N I O N

Summary of Decision

This decision grants Sierra Pacific Power Company (Sierra Pacific) the authority requested in Application (A.) 92-02-027 (Application).

Sierra Pacific requests authority under Public Utilities (PU) Code §§ 816-830 and 851-854, to perform, within its discretion, either of the following financing alternatives or a combination of both alternatives, the aggregate principal amount of the financing(s) not to exceed \$115,000,000:

1. To issue and sell First Mortgage Bonds (Bonds) in 1992, by competitive bid, the size of such issue to be determined in light of prevailing interest rates at the time of issuance; and

2. To issue and sell Medium-Term Notes (Notes) in 1992, or thereafter, as long as Securities and Exchange Commission (SEC) registration with respect to such Medium-Term Notes remains effective.

In connection with the foregoing Sierra Pacific seeks authority to execute any and all documents and to take all action required for the completion of the financings, including an indenture and supplemental indentures with respect to the Notes, and supplemental indentures to Sierra Pacific's existing Indenture of Mortgage, dated December 1, 1940, as supplemented from time to time since that date.

Sierra Pacific seeks authority to use the funds from the financing for corporate purposes including the redemption of three series of First Mortgage Bonds as listed in Section VIII of the Application.

Notice of the filing of the Application appeared on the Commission's Daily Calendar of February 25, 1992. No protests have been received.

Background

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

For the twelve months ended December 31, 1991, Sierra Pacific reports that it generated total operating revenues of \$462,152,943, which were derived 9.07% from operations in California; and net income of \$50,223,927.

Sierra Pacific's Balance Sheet as of December 31, 1991, is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$1,094,213,032
Other Property and Investment	1,510,327
Current Assets	93,388,730
Deferred Charge	<u>89,008,309</u>
Total	\$1,278,120,398
<u>Liabilities and Equity</u>	
Common Equity	411,916,416
Preferred/Preference Stock	57,115,000
Long-Term Debt	449,802,813
Current Liabilities	95,113,991
Deferred Credits	<u>264,172,178</u>
Total	\$1,278,120,398

As of December 31, 1991, Sierra Pacific's construction expenditures unreimbursed from the sale of securities amounted to approximately \$23,330,000 as shown in Schedule D of the Supplemental Data provided to the Commission.

Proposed Financing

Sierra Pacific seeks authority to undertake either of the financing alternatives outlined below, or a combination of both, with an aggregate principal amount not to exceed \$115,000,000, all as determined by Sierra Pacific to be the most advantageous to it and its ratepayers under the market conditions at the time. The salient points associated with each financing alternative are set forth below:

Option A: First Mortgage Bonds

1. Sale of First Mortgage Bonds not to exceed a principal amount of \$115,000,000, the size of the issue to be determined in light of prevailing interest rates at the time of issuance.

2. Pricing to be in fixed rate terms, and maturities to range from ten to thirty years.
3. Cost of money defined as the yield based on the interest rate and the price (exclusive of accrued interest) determined for the maturity by reference to a specially prepared Table of Bond Yields.
4. Redemption to be at the option of Sierra Pacific at the times and at the redemption prices set forth within the Indenture. However, market conditions may require that the new Bonds not be redeemable for a period of years from the date of issuance, except through the operation of the sinking fund provided for in the Indenture under certain conditions.

In connection with Option A Sierra Pacific advises that the current interest rates for this type of issue for an "A-3" rated company such as Sierra Pacific, were in the range of 7-1/2% to 8-1/4% at the time the Application was filed.

Option B: Medium-Term Notes

1. Sale of Medium-Term Notes in an aggregate principal amount, when combined with the Bonds sold under Option A, to be not in excess of \$115,000,000.
2. Sierra Pacific to sell the Notes on a periodic or continuous basis.
3. Maturities to range from a period of months to thirty years, as selected by the initial purchaser and agreed to by Sierra Pacific.
4. Sierra Pacific to decide at its discretion whether to offer the Notes as fixed or floating rate obligations.
5. Interest on Fixed Rate Notes to be paid semi-annually, on days predetermined by Sierra Pacific, and at maturity or upon earlier redemption or repayment.

Capital Ratios

Sierra Pacific's capital ratios reported as of December 31, 1991, are shown below as recorded and adjusted to give pro forma effect to the transactions that follow:

	<u>December 31, 1991</u>	<u>Pro Forma</u>
Long-Term Debt	47.6% *	48.0% **
Short-Term Debt	<u>2.9%</u>	<u>2.8</u>
Total Debt	50.5%	50.8%
Preferred/ Preference Stock	6.0	6.0
Common Equity	<u>43.5</u>	<u>43.2</u>
Total	100.0%	100.0%

* Excludes current portion of long-term debt.

** The Pro Forma capitalization assumes full issuance of the Bond or Note principal of \$115,000,000 for which authority is sought in the Application. This capitalization also assumes that the \$115,000,000 will be used to refund bond principal plus call premium of \$114,537,000. The net increase for either alternative in total capitalization is \$7,000,000.

Sierra Pacific is placed on notice by this decision that the Commission does not find that its capital ratios or the inclusion of short-term debt in its capital structure are necessary or reasonable for ratemaking purposes. These issues are normally tested in general rate cases or cost of capital proceedings.

Construction Budgets

Sierra Pacific's estimated construction budgets for calendar years 1992 and 1993 are approximately \$224,802,000. Major classifications of the total budgeted construction, as shown in the

Supplemental Data, are summarized as follows:

<u>Components</u>	<u>1992</u> (Thousands of Dollars)	<u>1993</u>
Electric Production	\$ 62,980	\$ 62,492
Gas Production	7,522	8,527
Water Production.	32,763	45,692
Common	<u>6,210</u>	<u>7,341</u>
Total	\$109,475	\$124,052
Less: Allowance for Funds Used During Construction	<u>3,816</u>	<u>4,909</u>
Funds Used/Required for Construction Expenditures	\$105,659	\$119,143

The Commission Advisory and Compliance Division (CACD) has reviewed Sierra Pacific's construction program for 1992 and 1993 and has concluded that Sierra Pacific's proposed issuance of Bonds and/or Notes as requested in the Application is necessary and reasonable. However, Sierra Pacific is placed on notice by this decision that the Commission does not find that Sierra Pacific's construction budgets are necessary or reasonable for ratemaking purposes. These issues are normally tested in general rate cases or rate base offset proceedings.

Cash Requirements Forecast

Sierra Pacific's cash requirements forecasts for the years 1992 and 1993, provided in the Supplemental Data, are shown as follows:

Components

1992 1993
(Thousands of Dollars)

Funds Needed for		
Construction Expenditures	\$105,659	\$119,143
Maturities of		
Long-Term Debt	5,512	530
Maturities of Preferred/ Preference Stock	-0-	-0-
Short-Term Debt Outstanding at the Beginning of Year	<u>22,324</u>	<u>25,264</u>
Subtotals	\$133,495	\$144,937
Less: Estimated Internal Cash Generation	<u>35,120</u>	<u>44,896</u>
Additional Funds Required from External Sources	\$ 98,375	\$100,041

CACD has analyzed Sierra Pacific's cash requirements forecast for 1992 and 1993. CACD has concluded that internally generated funds would provide \$35,120,000 or 26.3% of Sierra Pacific's cash requirements in 1992 and \$44,896,000 or 31.0% in 1993. CACD concludes that the proposed issuance of Sierra Pacific's Bonds and/or Notes 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 Bonds and/or Notes is reasonable and should be granted. The Commission has considered CACD's recommendations and, finding them reasonable, will adopt them as stated above.

Use of Proceeds

The funds from this financing will be used for corporate purposes including the redemption of the following existing issues. Sierra Pacific states in the Application that the refunding of the First Mortgage Bonds as proposed will result in a significant benefit to the ratepayers over the remaining life of the new

issues. Exhibit 5 of the Application illustrates the present value of benefits over the remaining life of each issue. With respect to each issue, the Applicant set forth the following savings:

- A. \$30,000,000 First Mortgage Bonds, 9-7/8%
Series due 2004
DATED: May 1, 1974 DUE: May 1, 2004
DECISION (D.) 54725
PURPOSE: Proceeds used to repay in part
outstanding bank loans and commercial paper
incurred in Company's construction program.
NET PRESENT VALUE OF REFUNDING SAVINGS:
\$2,567,928.
- B. \$35,000,000 First Mortgage Bonds, 8-5/8%
Series Q due 2007
DATED: August 1, 1977 DUE: August 1, 2007
D.57441
PURPOSE: Proceeds used to reduce short-term
debt incurred in Company's construction
program and to redeem \$15,000,000 First
Mortgage Bonds, 9-3/4% Series due 2000.
NET PRESENT VALUE OF REFUNDING SAVINGS:
\$230,128.
- C. \$43,000,000 First Mortgage Bonds, 9-3/4%
Series W due 2016
DATED: July 1, 1986 DUE: July 1, 2016
D.86-06-057
PURPOSE: Proceeds used to redeem \$30,000,000
First Mortgage Bonds, 14-5/8% Series due 2010,
and remaining \$8,000,000 balance of Series F
Preferred Stock.
NET PRESENT VALUE OF REFUNDING SAVINGS:
\$186,345.

Findings of Fact

1. Sierra Pacific, a Nevada corporation, operates as an electric utility subject to the jurisdiction of this Commission.
2. Sierra Pacific has need for external funds for the purposes set forth in the Application.

3. The issuance of the proposed Bonds and/or Notes under the alternatives described in the Application, having an aggregate principal amount not to exceed \$115,000,000, is for proper purposes and would not be adverse to the public interest.

4. The money, property or labor to be procured, or paid for, by the proposed financings is required for the purposes specified in the Application.

5. The sale of Bonds, if any, pursuant to the alternatives described in the Application, shall be by competitive bidding.

6. The proposed indentures and supplemental indentures would not be adverse to the public interest.

7. There is no known opposition 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 of Bonds and/or Notes is for lawful purposes and the money, property or labor to be obtained by these financings is required for these purposes. Proceeds from the Bonds and/or Notes may not be charged to operating expenses or income.

4. The following order should be effective on the date of signature and payment of the fee set by PU Code §§ 1904(b) and 1904.2 to enable Sierra Pacific to proceed expeditiously with the financings.

ORDER

IT IS ORDERED that:

1. Sierra Pacific Power Company (Sierra Pacific) may issue and sell First Mortgage Bonds (Bonds) or Medium-Term Notes (Notes) having a total principal amount in each case not to exceed \$115,000,000, or to issue and sell a combination of such Bonds and Notes the aggregate principal not to exceed \$115,000,000, under the terms and conditions set forth in Application 92-02-027 (Application).

2. Sierra Pacific may execute any and all documents and take all action required for the completion of such financings, including an indenture and supplemental indentures with respect to the Notes and supplemental indentures to Sierra Pacific's existing Indenture of Mortgage dated December 1, 1940, as supplemented from time to time since that date.

3. Sierra Pacific shall apply the net proceeds from the sale of Bonds and/or Notes to the purposes set forth in the Application.

4. Within thirty days after awarding the contracts for the sale of Bonds and/or Notes by competitive bidding, Sierra Pacific shall submit a written report to the Commission Advisory and Compliance Division (CACD) showing for each bid received, 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.

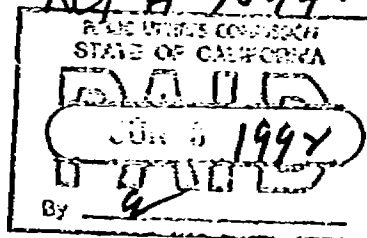
5. Sierra Pacific shall file the reports required by General Order 24(b).

6. The Application is granted as set forth above.

The authority granted by this order to issue and sell Bonds and/or Notes will become effective when Sierra Pacific pays \$1,274.00, the fee set by Public Utilities (PU) Code §§ 1904(b) and 1094.2 after taking into consideration the fee exemption allowed by PU Code Section 1904(b), as a result of credits from prior outstanding indebtedness refundings. In all other respects, this order is effective today.

Dated JUN 03 1992, at San Francisco, California.

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



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

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[Signature]
NEAL J. SHULMAN, Executive Director