

CACD/RAX

Decision 92 07 070 JUL 22 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 to issue and )  
 sell, at its discretion, any of the )  
 following, or a combination thereof )  
 so long as the aggregate does not )  
 exceed \$50,000,000: (a) not to )  
 exceed 1,000,000 Shares of Preferred )  
 Stock, Series H, \$50.00 par value per )  
 share; (b) not to exceed 2,000,000 )  
 Shares of Class A Preferred Stock )  
 Series 1, without par value but )  
 priced at \$25 up to \$50.00 per share )  
 (UO-903E) )

ORIGINAL

Application 92-04-023  
(Filed April 20, 1992)  
(Amended June 17, 1992)

O P I N I O N

Summary of Decision

This decision grants the Sierra Pacific Power Company (Sierra Pacific) the authority requested in Application (A.) 92-04-023 (Application).

Sierra Pacific requests authority under Public Utilities (PU) Code §§ 816-830 and 851-854 to issue and sell Preferred Stock not to exceed, in the aggregate, \$50,000,000 in any of the following or a combination of the following:

- a. not to exceed 1,000,000 shares of Preferred Stock, Series H, \$50 par value per share; or
- b. not to exceed 2,000,000 shares of Class A Preferred Stock, Series 1, without par value, but priced from \$25 to \$50 per share. (Stock Issuance)

Notice of the filing of the Application appeared on the Commission's Daily Calendar on April 27, 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, total California operating revenues of \$41,900,881, 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	1,510,327
Current Assets	93,388,730
Deferred Charges	<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 (Supplemental Data).

Capital Ratios

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

	<u>December 31, 1991</u>	<u>Pro Forma</u>
Long-Term Debt	47.5% *	48.0% **
Short-Term Debt	<u>2.9</u>	<u>0.0</u>
Total Debt	50.4%	48.0%
Preferred/ Preference Stock	6.0	11.0
Common Equity	<u>43.6</u>	<u>41.0</u>
Total	100.0%	100.0%

\* Includes current portion of long-term debt.

\*\* The pro forma capital ratios assume full issuance of \$37,600,000 principal amount of tax exempt bonds, a net increase of \$7,000,000 reflecting the request made by the Company to issue either First Mortgage Bonds or Medium-Term Notes. The pro forma ratios assume that up to \$12,600,000 of the principal from the tax exempt bond financing will be used to refund the Company's existing Humboldt County, Nevada Pollution Control and Water Facilities Revenue Bonds, Series 1982A and 1982B. The ratios also assume the proceeds from the sale of \$50,000,000 of Preferred Stock will be used to reduce short term debt. (See Decision (D.)92-06-055 and D.92-06-032)

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 case 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> (Thousands of Dollars)
Electric Production	\$ 62,980	\$ 62,492
Gas Production	7,522	8,527
Water Production	32,763	45,692
Common Plant	<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 Stock Issuance is necessary and reasonable for the purposes specified in the Application. However, Sierra Pacific is placed on notice by this decision that the Commission does not find Sierra Pacific's construction budgets necessary or reasonable for ratemaking purposes. These issues are normally tested in general rate 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 as follows:

<u>Components</u>	<u>1992</u>	<u>1993</u>
	(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 Beginning of Year	<u>22,324</u>	<u>5,264</u>
Subtotals	\$133,495	\$124,937
Less: Estimated Internal Cash Generation	<u>35,120</u>	<u>44,896</u>
Additional Funds Required from External Sources	\$ 98,375	\$ 80,041

CACD has analyzed Sierra Pacific's cash requirements forecasts for 1992 and 1993. CACD has concluded that internally generated funds would provide \$35,120,000 or 33.24% of Sierra Pacific's cash requirements in 1992 and \$44,896,000 or 37.68% in 1993. CACD concludes that the proposed Stock Issuance is necessary to help meet forecasted cash requirements which include capital expenditures.

#### Use of Proceeds

Sierra Pacific proposes to use the proceeds from the Stock Issuance to reduce short-term debt. As of December 31, 1991, Sierra Pacific had \$22,324,000 in outstanding short-term debt. Sierra Pacific forecasts that its short-term debt will be approximately \$55.3 million by the end of 1992. The company's targeted capital structure is comprised of 45% debt, 10% preferred stock and 45% common equity.

CACD has reviewed the Application and has concluded that the proposed use of proceeds is reasonable and should be granted. The

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

Findings of Fact

1. Sierra Pacific, a Nevada corporation, operates as an electric utility subject to the jurisdiction of this Commission.

2. The proposed issuance and sale of Preferred Stock, having an aggregate principal amount not to exceed \$50,000,000, is for proper purposes and would not be adverse to the public interest.

3. The money, property or labor to be procured, or paid for, by the proposed issuance and sale of the Preferred Stock, is reasonably required for the purposes specified in the Application.

4. The Commission does not, by this decision, determine that Sierra Pacific's construction budget or its targeted capital structure are necessary or reasonable for ratemaking purposes. These issues are normally tested in general rate or rate base offset proceedings.

5. 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 and sale of Preferred Stock is for lawful purposes and the money, property or labor to be obtained by them is required for these purposes. Proceeds from the issuance may not be charged to operating expenses or income.

4. In issuing our order, we place Sierra Pacific and its shareholders on notice that the number of shares outstanding, the total par or book value of these shares, and the dividends paid

do not determine the allowable return on plant investment. This authorization is not a finding of the value of Sierra Pacific's stock or property, nor does it indicate the amounts to be included in rate base or rate setting proceedings.

5. 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 its security issuance.

ORDER

IT IS ORDERED that:

1. Sierra Pacific Power Company (Sierra Pacific) may, on or before December 31, 1993, issue and sell Preferred Stock in the aggregate not to exceed \$50,000,000, in any of the following or a combination of the following:

- a. not to exceed 1,000,000 Shares of Preferred Stock, Series H, \$50 par value per share; or
- b. not to exceed 2,000,000 Shares of Class A Preferred Stock, Series 1, without par value, but priced from \$25 to \$50 per share.

2. Sierra Pacific may execute any and all documents and take all action required for the issuance and sale of its Preferred Stock.

3. Sierra Pacific shall apply the net proceeds from the issuance of the Preferred Stock for the purposes set forth in the Application.

4. Within thirty days after the issuance and sale of its Preferred Stock, Sierra Pacific shall notify the Commission of the terms reached with one or more underwriters for the issuance and sale of the Preferred Stock including the dollar dividend figure and the cost related to the issuance and sale.

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

6. Application 92-04-023 is granted as set forth above.

7. The authority granted by this order to issue and sell Preferred Stock and to use the proceeds to reduce short-term debt shall become effective when Sierra Pacific pays \$5,550, the

fee set by Public Utilities (PU) Code §§ 1904(b) and 1904.2 after taking into consideration the fee exemption allowed by PU Code Section 1904(b) as a result of credits from prior outstanding indebtedness refundings.

This order is effective today.

Dated JUL 22 1992, at San Francisco, California.

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

R. 35595. \$ 5.50 -  
PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA  
PAID  
JUL 22 1992  
By *[Signature]*

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

*[Signature]*  
NEAL J. SULLIVAN, Executive Director