

CACD/BVC

Decision 92-12-045 December 16, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of SIERRA PACIFIC POWER COMPANY )  
(CIS ID No. UO-903E) for an )  
Order authorizing it to enter )  
into a Financing Agreement and )  
Related Agreements under which )  
the Company will borrow from )  
Washoe County, Nevada, funds )  
not to exceed \$10,000,000, and )  
the County will issue Water )  
Facilities Refunding Revenue )  
Bonds (Sierra Pacific Power )  
Company Project) Series 1992. )

ORIGINAL

Application No. 92-09-042  
(Filed September 25, 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.) 92-09-042 (Application).

Sierra Pacific requests authority under Sections 816-830 and 851-854 of the California Public Utilities Code (PU Code), for the following:

1. To enter into a Financing Agreement with Washoe County, Nevada (Washoe), and into related agreements, under which Sierra Pacific will borrow funds, not to exceed \$10,000,000, from Washoe. The funds furnished by Washoe will be derived from the issuance and sale of Washoe's bonds;
2. To execute any and all related documents and to take all action required for completion of the

proposed financing, including the issuance of its own First Mortgage Bonds, as security for Sierra Pacific's obligations under the Financing Agreement, and its supplement or supplements to its existing Indenture of Mortgage; and

3. To use the proceeds (a) to redeem \$9,800,000<sup>1/</sup> of the following issue:

Washoe County, Nevada \$10,000,000 7-7/8%  
Collateralized Water Facilities Revenue Bonds  
(Sierra Pacific Power Company Project) Series  
1976;

and (b) for general corporate purposes, as permitted pursuant to Section 817 of the PU Code.

Notice of the filing of the Application appeared on the Commission's Daily Calendar of October 5, 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, and that of this total \$41,900,881, approximately 9.1%, was derived from California operations.

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

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<sup>1/</sup> The Company has advised that the Series 1976 Bonds have been reduced by \$200,000 pursuant to a mandatory sinking fund requirement of \$200,000 per year, which commenced in July of 1992.

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$1,094,213,032
Non-Utility Investments	1,510,327
Current Assets	93,388,730
Deferred Debits	<u>89,008,309</u>
<b>Total</b>	<b>\$1,278,120,398</b>

<u>Liabilities and Equity</u>	<u>Amount</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>
<b>Total</b>	<b>\$1,278,120,398</b>

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

#### A. Description of Bonds

Sierra Pacific proposes to enter into a Financing Agreement with Washoe and related agreements, under which Sierra Pacific will borrow up to \$10,000,000 from Washoe. Washoe will obtain the funds by the issuance and sale of its bonds which will have the following or a similar designation: "Water Facilities Refunding Revenue Bonds (Sierra Pacific Power Company Project) Series 1992."<sup>2/</sup> The bonds will be fixed rate and long-term from the date of issuance.

<sup>2/</sup> The designation of the year for the series will depend upon whether the bonds are issued in 1992, i.e. Series 1992, or 1993, i.e. Series 1993.

B. First Mortgage Bonds as Security

Because the bonds will be priced at long-term periods such as twenty or thirty years, Sierra Pacific proposes to secure such long-term obligations by the issuance of its own First Mortgage Bonds pursuant to an appropriate supplement or supplements to its existing Indenture of Mortgage.

In this financing, Sierra Pacific will not issue and sell its First Mortgage Bonds to the public. Sierra Pacific will only issue its Bonds to Washoe's trustee as security for its obligations under the Financing Agreement. The only issue and sale of bonds to the public will be made by Washoe.

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

It is not our intent to review Sierra Pacific's proposed construction budgets in detail at this time, and we make no finding in this decision as to their reasonableness. Construction expenditures and the resulting plant balances in rate base are issues which are normally addressed in general rate cases or other

ratemaking proceedings. However, the Commission Advisory and Compliance Division (CACD) does advise us that the construction program Sierra Pacific is proposing for 1992 and 1993 raises no questions that should dissuade us from giving favorable consideration to the financing request in this Application.

Proceeds of Washoe County Bonds

Sierra Pacific proposes to use the net proceeds from the sale of the New Washoe Bonds to redeem the following existing issue:

Washoe County, Nevada \$10,000,000, 7-7/8%  
Collateralized Water Facilities Revenue Bonds (Sierra Pacific Power Company Project) Series 1976.

Sierra Pacific states in the Application that the refunding of the Washoe 1976 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 that the net present value of savings over the remaining life of that issue would be \$1,101,102.

Capital Ratios

Sierra Pacific's capital ratios at December 31, 1991, recorded, are shown below as reported and adjusted to give effect to the transaction addressed in the Application:

	<u>December 31, 1992</u>	<u>Pro Forma</u>
Long-Term Debt	49%	48%
Common Stock	6	11
Common Equity	<u>45</u>	<u>41</u>
Total	100%	100%

Utilities' capital structures are matters which are normally subject to review in general rate cases or cost of capital proceedings. We make no finding in this decision as to

the reasonableness of Sierra Pacific's projected capital ratios for ratemaking purposes.

Cash Requirements Forecast

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

<u>Components</u>	<u>1992</u> (Thousand of Dollars)	<u>1993</u> (Thousand 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>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

Sierra Pacific's cash requirement forecast for 1992 and 1993 indicates that internally generated funds will provide \$35,120,000 or approximately 26% of Sierra Pacific's cash requirements for 1992 and \$44,896,000 or approximately 31% in 1993. CACD concludes that the proposed borrowing of the funds by Sierra Pacific and issuance of its bonds as security for its obligations under the financing agreement are necessary to help meet forecasted cash requirements which include capital expenditures.

CACD has reviewed the Application and has concluded that the proposed financing is reasonable and that the Application 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. Sierra Pacific has need for external funds for the purposes set forth in the Application.
3. The proposed financing as described in the Application, having an aggregate principal amount not to exceed \$10,000,000, 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 financing is required for the purposes specified in the Application.
5. The sale of bonds to the public under this financing is by Washoe, not Sierra Pacific. Sierra Pacific's issuance of First Mortgage Bonds will be pledged to Washoe's trustee as security for Sierra Pacific's obligations under the Financing Agreement.
6. The proposed supplemental indenture would not be adverse to the public.
7. There is no known opposition to, and no reason to delay, granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.
2. The authority requested in the Application should be granted to the extent set forth in the Order which follows.
3. The proposed financing is for lawful purposes and the money, property or labor to be obtained by this financing is required for these purposes. Proceeds from the issuance of the proposed Bonds 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 of \$1,820 set by Section 1904(b) and Section 1904.2 of the PU Code, to enable Sierra Pacific to proceed expeditiously with the financing.

O R D E R

IT IS ORDERED that:

1. Sierra Pacific Power Company (Sierra Pacific), on or after the effective date of this Order, may enter into a Financing Agreement and related agreements as described in the Application, under which Sierra Pacific will borrow from Washoe County funds derived from the issuance and sale by Washoe County of its Bonds in a total principal amount not to exceed \$10,000,000, having the following or similar designation: Water Facilities Refunding Revenue Bonds (Sierra Pacific Power Company Project) Series 1992 or 1993, depending upon the year in which the financing is consummated.

2. Sierra Pacific may execute any and all related documents and take all action required for the completion of such financing, including the issuance of First Mortgage Bonds as security for its obligations under the Financing Agreement and the execution of a supplement or supplements to its existing Indenture of Mortgage, required for the completion of the proposed financing.

3. Sierra Pacific shall use the net proceeds from the financing for the purposes set forth in the Application.

4. Sierra Pacific shall file, with the Commission Advisory and Compliance Division, copies of the Financing Agreements and related agreements, within fifteen days after the documents have been executed.

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



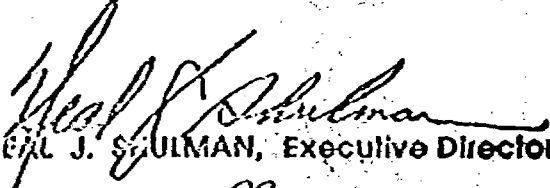
6. The Application is granted as set forth above.

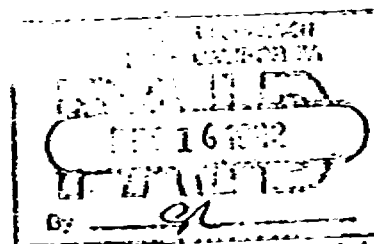
The authority granted by this Order shall become effective when Sierra Pacific pays \$1,820, the fee set by Public Utilities Code Sections 1904(b) and 1904.2. In all other respects this Order is effective today.

Dated December 16, 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

  
NEAL J. SULMAN, Executive Director  
PB



Rec. # 35946  
\$ 1,820<sup>00</sup>