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Decision No. 89855 ; JAN 16 1979

ORIGINAL

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 obtain pursuant)
 to competitive bidding a Five-Year Term)
 Loan in the principal amount not to)
 exceed \$40 million.)

Application No. 58498
 (Filed December 1, 1978)

O P I N I O N

Sierra Pacific Power Company (Sierra Pacific) requests authority, pursuant to Sections 816 through 825 of the Public Utilities Code, to obtain by competitive bidding a five-year term loan. In addition Sierra Pacific also requests authority to execute and issue a note in a principal amount not to exceed \$40,000,000.

Sierra Pacific is a Nevada corporation engaged in providing public utility electric service in California and Nevada, and gas and water services in Nevada. For the twelve months ended September 30, 1978, the utility reported operating revenues and net income in the respective amounts of \$152,077,000 and \$17,341,000. Operating revenues for the year ended December 31, 1977 were \$155,288,080, of which \$35,061,798 or 23% were derived from California electric utility service.

As of September 30, 1978, Sierra Pacific had outstanding bank loans and commercial paper aggregating \$34,500,000. Such bank loans and commercial paper were obtained to finance, in part, the utility's construction program. Bank loans may be increased to approximately \$36,000,000 before the consummation of the proposed new financing in order to carry on the utility's new

construction program. Proceeds from the proposed financing will be used by the utility to reduce outstanding bank loans and to carry out its construction program.

Sierra Pacific's estimated departmental construction program for the year 1979 is as follows:

	<u>Amount</u>
Electric department	\$58,800,000
Gas department	5,000,000
Water department	10,800,000
Common plant	<u>1,500,000</u>
Total	<u>\$76,100,000</u>

Sierra Pacific's capitalization as of September 30, 1978 and as adjusted to give effect to the proposed five-year term loan of \$40,000,000 is as follows:

<u>Item</u>	<u>Recorded</u>	<u>Pro Forma</u>
Long-term debt	44.2%	54.6%
Short-term debt	9.7	-
Preferred stock	10.9	10.8
Common stock equity	<u>35.2</u>	<u>34.6</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The application indicates that at the present time permanent financing interest rates are extremely high and that Sierra Pacific does not believe or anticipate that the interest rates will decrease in the immediate future. Sierra Pacific, therefore, believes and represents that by arranging for the requested interim financing the utility will gain flexibility in being able to arrange for long-term financing at a later date at more favorable rates.

The application further indicates that Sierra Pacific's proposed five-year interim financing would be by competitive bidding among six major banks with which the utility currently finances and has previously done business.

Sierra Pacific represents that the unsecured loan not to exceed \$40 million would be for a five-year term and there would be no prepayment penalty for an early payoff. Further, the utility believes and represents that this interim method of financing through competitive bidding would offer the lowest cost of money to the company and would provide it flexibility as to the timing of permanent financing.

The utility has requested bids from the six banks and asked that written proposals be filed with the utility no later than December 15, 1978. The following four proposals were submitted to the banks:

1. A \$25 million loan, with full payment of that amount to the company upon the latter's execution of a note in that amount, to be repaid at the end of five years from such date of execution;
2. The same as item (1) above, except that repayment would be in three installments, viz., \$5 million at the end of the third year, \$10 million at the end of the fourth year, and the balance of \$10 million at the end of the fifth year;
3. A \$40 million loan, with \$25 million to be paid to the company upon the latter's execution of the note, the balance of \$15 million to be paid to the company during 1979, and repayment to be made of the full amount at the end of five years from such date of execution;

4. The same as item (3) above, except that repayment would be in three installments, viz., \$10 million at the end of the third year, \$15 million at the end of the fourth year, and the balance of \$15 million at the end of the fifth year.

The Operations Division has reviewed Sierra Pacific's construction program and has concluded that the expenditures forecast for 1979 appear reasonable. The Operations Division, however, reserves the right to review construction expenditures further in a future proceeding.

After consideration the Commission finds that:

1. The proposed five-year term loan and unsecured note would be for proper purposes.
2. Sierra Pacific has need for external funds for the purposes set forth in the application.
3. The money, property or labor to be procured or paid for through the loan herein authorized is reasonably required for the purposes specified herein, which purposes are not in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. Because of time commitments related to obtaining the loan expeditiously, Sierra Pacific requests that the order become effective on the date hereof.

The authorization herein granted is for the purpose of this proceeding only and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Sierra Pacific Power Company, on or after the effective date of this order and on or before July 31, 1979, may obtain through competitive bidding an unsecured five-year term loan and issue an unsecured note in the aggregate principal amount not exceeding \$40,000,000, upon the terms and conditions and for the purposes set forth in the application.

2. Promptly after obtaining the loan herein authorized, Sierra Pacific Power Company shall file a written report with the Commission, showing as to each bid received, the name of the bidder, the amount of the loan, the interest rate, and the terms and conditions of the loan obtained.

3. Within thirty days after execution of the loan agreement and the issuance of evidences of indebtedness, Sierra Pacific Power Company shall file one copy of each document with the Commission.

4. Sierra Pacific Power Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

5. The effective date of this order is the date hereof.

Dated at San Francisco, California, this 11th day
of JANUARY, 1979.

Robert Bateman

President
Charles W. ...

Clare J. ...

Commissioners