

ORIGINAL

Decision No. 92191 SEP 3- 1980

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SIERRA PACIFIC POWER)
 COMPANY for an exemption order under)
 PU Code Sections 829 and 853, respecting)
 (a) its proposal to issue not in excess)
 of \$20,000,000 principal amount of its)
 First Mortgage Bonds _____ & Series 1980) Application No. 59820
 due 2010 to provide funds for the) (Filed July 21, 1980)
 construction and equipping by Applicant)
 of certain pollution control equipment)
 facilities located in Humboldt County,)
 Nevada, and (b) its proposal to execute)
 a Twenty-second Supplemental Indenture.)

O P I N I O N

Pursuant to Sections 829 and 853 of the Public Utilities Code, Sierra Pacific Power Company (Sierra Pacific) seeks an order exempting its proposed \$20,000,000 of First Mortgage Bonds, Series T and Series U, due 2010, and related Financing Agreements and Twenty-third Supplemental Indenture from the requirements of Public Utilities Code Sections 816 et seq. and Sections 851 et seq.^{1/} ✓
 Notice of the filing of the application appeared on the Commission's Daily Calendar of July 23, 1980. No protest to the application was filed. ✓

Sierra Pacific is a Nevada corporation engaged in public utility electric operations in the State of California and in Nevada. For the year 1979 its reported total operating revenues amounted to \$178,326,000 of which \$22,556,000 (approximately 13 percent) was derived from California operations.

In accordance with the County Economic Development Revenue Bond Law of the State of Nevada, the utility proposes to enter into two similar Financing Agreements with the county of Humboldt, Nevada.

1/ Subsequent to filing, Sierra Pacific has advised the Commission that the proper numerical description for the proposed indenture shall be "Twenty-third."

Forms of the Agreements have been furnished to the Commission staff. The Agreements would enable Sierra Pacific to construct and equip certain pollution control facilities located in Humboldt County, Nevada, by utilizing funds to be obtained through bonds to be issued by the county of Humboldt. The application shows that interest payable on such bonds would be exempt from federal income taxes.

Pursuant to the Financing Agreements, Sierra Pacific would issue \$20,000,000 aggregate principal amount of its First Mortgage Bond, Series T and Series U, due 2010, to the county of Humboldt for assignment to a trustee to be held in pledge. In particular, these bonds would constitute a pledge with respect to not exceeding \$20,000,000 aggregate principal amount of Humboldt County, Nevada, Economic Development Revenue Bonds, Series 1980A and Series 1980B, due 2010. In connection with the Financing Agreements, Sierra Pacific would execute a Twenty-third Supplemental Indenture. ✓

The application shows that the proposed pollution control facilities are necessary for applicant to provide electric service to its customers.

Sierra Pacific requests exemption from Public Utilities Code Sections 816 et seq. and Sections 851 et seq. for the following reasons:

1. The proposed financing is for constructing and equipping pollution control facilities wholly in Humboldt County, Nevada, and for the benefit of the residents of that area.
2. Sierra Pacific operates primarily in Nevada, receiving only about 13 percent of its revenues from California operations.
3. The proposed Financing Agreements are designed to benefit from Nevada laws which enable utilities in Nevada to benefit from favorable interest rates.
4. The Public Service Commission of Nevada has been asked to approve the program and it is anticipated that such approval will be given.

5. The interest rate for bonds is likely to be relatively low because the rate is to be the same as for the tax-exempt bonds issued by Humboldt County, Nevada.
6. There is no known opposition to the program as set forth in this application.

We are sufficiently persuaded by Sierra Pacific's showing that the issuance of its bonds and the execution of the Twenty-third Supplemental Indenture should be exempt from Public Utilities Code Sections 816 et seq. and Sections 851 et seq. The Commission, by Decision No. 85936 dated June 8, 1976 in Application No. 56504, previously exempted Sierra Pacific's issue of Series P, First Mortgage Bonds and related Financing Agreement and Seventeenth Supplemental Indenture from the relevant provisions of the Public Utilities Code. A similar exemption was given by the Commission by Decision No. 90593 of July 31, 1979, respecting the utility's First Mortgage Bonds, Series R, due 2009 and related Financing Agreement and Twenty-first Supplemental Indenture.

Given the nature and structure of the Nevada statutory pollution control financing mechanism, it is necessary for Sierra Pacific to issue its bonds to the county of Humboldt. By entering into financing agreements with the county of Humboldt, Sierra Pacific can benefit from Nevada laws respecting interest rates and can accomplish its proposed financing at three to four percent less than the interest cost it would incur if it were to issue bonds not exempt from federal income taxes.

Furthermore, Sierra Pacific operates predominantly in Nevada; the prospective benefits attributable to construction of pollution control facilities financed by the subject bond issue will redound totally to residents of Humboldt County, Nevada. Therefore, it is consistent with the interests of California ratepayers to grant exemption to Sierra Pacific, pursuant to Sections 829 and 853, respectively, from the relevant provisions of the Public Utilities

Code. Since we hereby grant the requested exemption to Sierra Pacific, no discussion of the application of our competitive bidding rule is necessary.

Findings of Fact

1. Sierra Pacific is a corporation organized under the laws of the State of Nevada.

2. Sierra Pacific derives 87 percent of its operating revenues from business conducted in the State of Nevada, and 13 percent from California.

3. The proposed Financing Agreements pertain to certain pollution control facilities in connection with the generation of electricity located in the county of Humboldt, State of Nevada.

4. Bonds issued pursuant to the proposed Financing Agreements will provide funds at the relatively low interest cost attributable to exemption from federal income taxes.

5. The proposed Financing Agreements will be governed exclusively by, and construed in accordance with, the applicable laws of the State of Nevada.

6. Sierra Pacific filed an application with the Public Service Commission of the State of Nevada to engage in the proposed financing.

7. The application of Public Utilities Code Sections 816 et seq. to Sierra Pacific with respect to its First Mortgage Bonds, Series T due 2010 and Series U due 2010, and the related Financing Agreements and Twenty-third Supplemental Indenture is not necessary in the public interest.

8. Because there is no known opposition and there is no reason to delay granting the relief requested, the order should become effective on the date of signature.

Conclusions of Law

1. The application should be granted to the extent set forth in the order which follows.


2. A public hearing is not necessary.

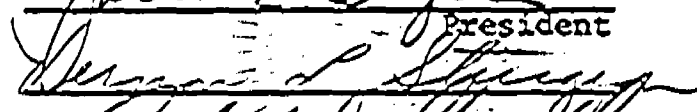
O R D E R


IT IS ORDERED that Sierra Pacific Power Company, with respect to its First Mortgage Bonds, Series T due 2010 and Series U due 2010, and related Financing Agreements and Twenty-third Supplemental Indenture, is hereby exempted from the provisions of Public Utilities Code Sections 816 et seq. and Sections 851 et seq.


The effective date of this order is the date hereof.

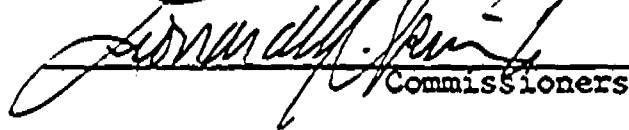
Dated SEP 3 1990, at San Francisco, California.



President








Commissioners