

ENERGY/RHG

Decision 98-06-070 June 18, 1998

**ORIGINAL**

Mailed  
6/25/98

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of )  
 THE WASHINGTON WATER POWER COMPANY )  
 U-907-G, for an Order authorizing the (a) issuance, )  
 sale, delivery, and/or guarantee of Debt Securities, )  
 in one or more series, with an aggregate stated value )  
 of up to and including \$250,000,000; (b) the issuance, )  
 sale, delivery, and/or guarantee of Conservation Bonds )  
 through the use of a special purpose entity, in one or )  
 more series, with an aggregate stated value of up to )  
 and including \$60,000,000; (c) refunding of tax-exempt )  
 debt securities currently outstanding, in one or more )  
 series, with an aggregate stated value of up to and )  
 including \$85,000,000; and (d) issuance and sale of up )  
 to and including \$45,000,000 of outstanding short- )  
 term debt in excess of the amount provided in )  
 PU Code §823. )

Application 97-08-008  
(Petition for Modification  
filed April 29, 1998)

**SUPPLEMENTAL OPINION**

**Summary of Decision**

This decision grants The Washington Water Power Company (WWPC) the authority requested in its Petition for Modification of Decision (D.) 97-10-054 (Petition).

Pursuant to Rule 47 of the Commission's Rules of Practice and Procedure, WWPC requests that the amount of outstanding short-term debt contained in D.97-10-054 be modified from \$45,000,000 to \$225,000,000 in excess of the amount provided in Public Utilities (PU) Code §823.

Notice of the filing of the Petition appeared on the Commission's Daily Calendar of May 6, 1998. No protests have been received.

**Background**

D.97-10-054 dated October 22, 1997, in Application (A.) 97-08-008, authorized WWPC, among other things, to issue, sell, deliver, and/or guarantee Debt Securities, in one or more series, with an aggregate stated value of up to and including \$250,000,000 and to issue up to a total of \$120,000,000 of short-term debt or 7.7% of its capitalization (\$45,000,000 being the amount in excess of the 5% limitation prescribed under PU Code §823.)

Prior to the above authorization, the Commission in D.94-01-022 dated January 7, 1994, allowed WWPC to issue for a period of two years up to a total of \$160,000,000 of short-term debt or 12.7% of its capitalization.

WWPC states in the Petition that in November 1997, the utility filed with the Securities and Exchange Commission (SEC) a registration statement to issue \$250,000,000 of Debt Securities. SEC's review of the registration statement was completed and the registration became effective April 22, 1998. No Debt Securities have been issued to date.

**Modification Sought**

Pursuant to the Petition and the supplemental information provided by WWPC to Staff on April 28, 1998, there are two primary reasons for the requested increase in its short-term borrowing. First, the actual issuance of the \$250,000,000 Debt Securities authorized in D.97-10-054 requires timing and proper assessment of market conditions. With an anticipated issue this year of between \$80,000,000 to \$90,000,000 debt, WWPC's current level of \$75,000,000 short-term debt outstanding would limit the utility's financing options. WWPC would like to have sufficient short-term and long-term financing authority to give its management flexibility, depending on market conditions.

Second, WWPC is authorized to issue over \$300,000,000 in total short-term debt in Washington, Idaho and Oregon. The requested modification would place WWPC's California authority consistent with the short-term indebtedness authorization that it has received from the Washington, Idaho and Oregon Commissions.

D.97-10-054 shows WWPC's capitalization as of December 31, 1996 as \$1,552,147,000<sup>1</sup>. Based on WWPC's capitalization of \$1,625,883,000<sup>2</sup> on December 31, 1997, presented as supplemental information to the Petition, the 5% allowable short-term debt amounts to approximately \$81,300,000. Effectively, WWPC's requested short-term debt authority of up to \$225,000,000 in excess of the amount provided in PU Code §823 amounts to a total outstanding short-term debt at any one time of approximately \$306,300,000 (or 18.8% of total capitalization as of December 31, 1997).

WWPC does business in the State of California as WP Natural Gas, serving approximately 17,000 customers. WWPC's operating revenues for its California operations for the year ended December 31, 1997 amount to \$11,916,261 or 1.3% of total operating revenues of \$891,665,000.

WWPC's requested modification of its short-term borrowing authorization raises no questions that should dissuade us from giving favorable consideration to the authority requested. The increase would provide WWPC the ability to maintain its flexibility in the timing of security offerings and should maintain its capability to quickly expand short-term borrowings in the event of delays or cancellations of security offerings. We are aware of the uncertainty regarding the time and amount of rate relief, the timing and amounts of specific long-term or permanent financing, and the financial impact of any unforeseen contingencies. At times, it may be prudent to use short-term debt in lieu of long-term borrowing. Our action would likewise bring WWPC's short-term authorization up to par with the authority granted by the Commissions in three other states.

A typographical error has been noted on Paragraph 2, page 7 of D.97-10-054. WWPC's total capitalization as of December 31, 1996 was \$1,552,147,000 instead of \$1,552,147.

#### Findings of Fact

1. WWPC's use of \$225,000,000 short-term borrowing in excess of the amount otherwise authorized under PU Code §823 would be for proper purposes and would not be adverse to the public interest.
2. WWPC's California revenue is 1.3% of its total revenue.

<sup>1</sup> Long-Term Debt \$732,115,000, Preferred Stock \$115,000,000 and Common Equity \$705,032,000.

<sup>2</sup> Long-Term Debt \$724,174,000, Preferred Stock \$155,000,000, and Common Equity \$746,736,000.

3. WWPC is authorized to issue over \$300,000,000 in total short-term debt in Washington, Idaho and Oregon.
4. WWPC has need for external funds for the purposes set forth in the Petition.
5. A typographical error has been noted on Paragraph 2, page 7 of D.97-10-054.

**Conclusions of Law**

1. A public hearing is not necessary.
2. The Petition should be granted to the extent set forth in the order which follows.
3. WWPC will pay the additional fee in accordance with PU Code §1904(b).
4. The following order should be effective on the date of signature.

**SUPPLEMENTAL ORDER**

**IT IS ORDERED that:**

1. The authority granted to Washington Water Power Company (WWPC) by Decision (D.) 97-10-054 in Application (A.) 97-08-008 is modified to authorize WWPC to issue short-term debt in the aggregate principal amount up to \$225,000,000 outstanding at any one time, as contemplated by WWPC's Petition for Modification (Petition). This authorization is in addition to the aggregate principal amount of notes otherwise authorized without Commission approval by Public Utilities Code §823(c).
2. WWPC shall apply the net proceeds from the sale of its short-term obligations to the purposes set forth in A.97-08-008.
3. The authority granted by this order shall become effective when WWPC pays \$2,520, the additional fee set forth by Public Utilities Code §1904(b).
4. Paragraph 2, page 7 of D.97-10-054 is amended to read that WWPC's total capitalization as of December 31, 1996 is \$1,552,147,000.
5. The Petition is granted as set forth above.
6. In all other respects, D.97-10-054 remains in full force and effect.

7. A.97-08-008 is closed.

This supplemental order is effective today.

Dated June 18, 1998, at San Francisco, California.

RICHARD A. BILAS  
President  
J. GREGORY CONLON  
JESSIE J. KNIGHT, JR.  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
Commissioners

CSR #40011  
\$ 2,520.00  
INC/6-24-98  
PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA  
PAID  
JUN 24 RECD  
BY DL 6/24/98