

Date Mailed  
January 26, 1999

BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Northwestern Wisconsin Electric Company,  
For Authority to Issue and Have Outstanding During 1999  
Short-Term Indebtedness Not to Exceed \$1,500,000

4280-SB-118

**FINDINGS OF FACT, CONCLUSIONS OF LAW,  
CERTIFICATE OF AUTHORITY AND ORDER**

Northwestern Wisconsin Electric Company (Applicant) filed an application with the Public Service Commission of Wisconsin (Commission) on December 9, 1998, pursuant to Wis. Stat. ch. 200, for authority to issue and have outstanding during 1999, short-term bank notes and demand notes (short-term indebtedness) which at times will exceed 5 percent of the par value of outstanding securities, but which would not exceed \$1,500,000 principal amount. The Commission did not hold a public hearing and makes its findings on the basis of a Commission staff investigation.

**FINDINGS OF FACT**

**THE COMMISSION FINDS:**

1. The Applicant is a Wisconsin corporation, with its principal office in Grantsburg, engaged in rendering electric public utility service in Burnett and Polk Counties, Wisconsin. Applicant is a public utility as defined in Wis. Stat. § 196.01, and a public service corporation as defined in Wis. Stat. § 200.01. The Applicant is also a public utility as defined under the Federal Power Act.

2. The Applicant utilizes short-term borrowings to temporarily finance construction expenditures which exceed internally generated funds. As of September 30, 1998, the Applicant had outstanding \$550,000 of short-term notes to banks and no demand notes to individuals. The Applicant requests a certificate of authority to issue and have outstanding up to \$1,500,000 aggregate amount of short-term notes to banks and/or demand notes to individuals during 1999.

3. As of September 30, 1998, 5 percent of the total par value of the Applicant's securities issued and outstanding, was \$842,800 as calculated below:

	September 30, 1998
Common Stock	\$ 6,196,000
Long-Term Debt	<u>10,660,000</u>
Total	<u>\$16,856,000</u>
5% of Total	\$ 842,800

4. As of September 30, 1998, the Applicant's actual and pro forma capitalization, on a financial basis, reflecting the proposed short-term debt limit amount of \$1,500,000 was:

	September 30, 1998			
	Actual	Percent	Pro forma	Percent
Common Stock	\$7,529,569	40.18 %	\$ 7,529,569	38.24 %
Short-Term Debt	550,000	2.93	1,500,000	7.62
Long-Term Debt	<u>10,660,000</u>	<u>56.89</u>	<u>10,660,000</u>	<u>54.14</u>
Total	\$18,739,569	100.00 %	\$19,689,569	100.00 %

5. At the upper limit on short-term indebtedness, common equity would represent 38.24 percent of total capitalization, and short-term debt would represent 7.62 percent of total capitalization, on a pro forma basis. The Commission, in its March 24, 1998, order in docket 4280-SB-116, determined that on a long-term basis, the Applicant should attempt to maintain a common equity ratio of at least 40 percent and a short-term indebtedness ratio below 10 percent.

6. The company's dividend payout ratios for 1996, 1997, and 1998 through September 30, 1998, were respectively, 55.05 percent, 44.56 percent, and 39.28 percent. The company is attempting to increase its equity through retention of a greater portion of its earnings.

7. The Applicant represents that the short-term notes will have maturity dates not to exceed 12 months from the date of issue, will not contain any provision for extension or renewal, may be prepaid in whole or in part at any time without premium, will bear interest at a rate not to exceed the prime rate, and will be dated as and when funds are required by the Applicant. The Applicant presently has revolving credit agreements with Firststar Bank Grantsburg and the National Bank of Commerce in Superior.

8. The Applicant represents that the demand notes will be payable by the Applicant on demand by the holder, may be prepaid in whole or in part at any time by the Applicant without premium, will bear interest at a rate not to exceed the prime rate, and will be dated as and when funds are required by the Applicant.

9. The Applicant's 1998 borrowing authority, under docket 4280-SB-116, was \$4,600,000 and expired December 31, 1998. The Applicant projected a short-term indebtedness level at that time of \$900,000.

10. The Commission routinely, without hearing, authorizes securities issuances under certain terms, conditions, and requirements.

11. This is a Type III action under Wis. Admin. Code § PSC 4.10(3). No unusual circumstances suggesting the likelihood of significant environmental consequences have come to the Commission's attention. Neither an environmental impact statement under Wis. Stat. § 1.11, nor an environmental assessment is required.

## ULTIMATE FINDINGS OF FACT

### THE COMMISSION FINDS:

1. The terms, conditions, or requirements stated in the Certificate of Authority are reasonably necessary to protect the public interest under the circumstances of this case.
2. For the purposes of this proposed securities issuance, each class of the Applicant's securities, on a pro forma basis, bears a reasonable proportion to each other class and to the value of the Applicant's property. In making such findings, however, the Commission recognizes that the upper limit for short-term debt represents a maximum temporary operating level and the Applicant should not operate at that level for sustained periods. The Applicant should attempt to maintain a common equity ratio above 40 percent over the long-term.
3. The issuance of short-term notes to banks and demand notes to individuals in aggregate amounts are not to exceed \$1,500,000 principal amount outstanding at any one time proposed herein is for proper corporate utility purposes and in an amount reasonably necessary and otherwise complies with the provisions of Wis. Stat. ch. 200. In making such finding it is the Commission's understanding that a finding of proper corporate utility purpose under Wis. Stat. ch. 200, is in no way related to a finding of public convenience and necessity under Wis. Stat. § 196.49. The Commission intends that the proceeds obtained from the proposed issuance of securities which are applied to finance construction shall be applied solely to finance construction projects which have already received required regulatory approval or which do not require specific approval.
4. The financial condition, plan of operation and proposed undertakings of the Applicant are such as to afford reasonable protection to the purchasers of the securities to be issued.
5. It is appropriate to validate the issuance of short-term debt securities for the period January 1, 1999, to date.
6. It is reasonable that a Certificate of Authority be issued as detailed therein.
7. Neither an environmental impact statement nor an environmental assessment is necessary in this proceeding.
8. A hearing is not necessary in this proceeding.

## CONCLUSION OF LAW

### THE COMMISSION CONCLUDES:

1. It has jurisdiction under Wis. Stat. ch. 200, considered with reference to Wis. Stat. § 200.03(1)(b), and ss. 204(a) and 204(e), Federal Power Act, to issue a Certificate of Authority for an evidence of indebtedness maturing less than one year from date of issuance which exceeds 5 percent of the par value of the securities of a public service corporation, subject to the conditions specified.

2. It has jurisdiction under Wis. Stat. § 1.11, and Wis. Stat. ch. 200, to issue the order and Certificate herein without public hearing and without the preparation of an environmental impact statement or environmental assessment.

3. It has jurisdiction under Wis. Stat. ch. 200, to validate the short-term borrowings since January 1, 1999.

## CERTIFICATE

### THE COMMISSION CERTIFIES:

1. Northwestern Wisconsin Electric Company may issue from time to time in 1999, as required to meet expenditures for its construction program and for other proper corporate utility purposes, short-term borrowings as described in the Findings of Fact in amounts not to exceed \$1,500,000 principal amount outstanding at any one time, subject to the following:

a. The short-term borrowings shall be borrowed or issued and sold for money only at not less than the principal amounts. The proceeds of such borrowings shall be used to temporarily finance construction expenditures or for other proper corporate utility purposes as described in the Findings of Fact. Proceeds used to finance construction shall be applied to only those projects which have received required regulatory approval or which are generally authorized and do not require specific approval.

b. The short-term borrowings shall be priced based upon market conditions detailed in the Findings of Fact.

c. No short-term demand notes shall be issued to any affiliated interest prior to obtaining any approvals, as may be necessary under Wis. Stat. § 196.52.

2. Northwestern Wisconsin Electric Company's short-term borrowings incurred between January 1, 1999, and the date of this Certificate of Authority, are validated in an amount up to \$1,500,000.

Docket 4280-SB-118

3. Northwestern Wisconsin Electric Company shall file with the Commission, within 120 days after the close of the year, a verified statement showing in detail the short-term securities issued under the provisions of this Certificate of Authority.

**ORDER**

**THE COMMISSION ORDERS:**

1. This Certificate of Authority and Order shall be effective upon mailing.
2. Northwestern Wisconsin Electric Company shall not issue the securities authorized by the Certificate of Authority or receive any money therefrom, either directly or indirectly, until the Certificate of Authority is recorded upon the books of the corporation.
3. Northwestern Wisconsin Electric Company shall comply with all the terms and conditions of the Certificate of Authority.

Dated at Madison, Wisconsin, \_\_\_\_\_

By the Commission:

\_\_\_\_\_  
Lynda L. Dorr  
Secretary to the Commission

LLD:LJH:mem:G:\Order\Pending\4280-SB-118

See attached Notice of Appeal Rights

Notice of Appeal Rights

Notice is hereby given that a person aggrieved by the foregoing decision has the right to file a petition for judicial review as provided in Wis. Stat. § 227.53. The petition must be filed within 30 days after the date of mailing of this decision. That date is shown on the first page. If there is no date on the first page, the date of mailing is shown immediately above the signature line. The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

Notice is further given that, if the foregoing decision is an order following a proceeding which is a contested case as defined in Wis. Stat. § 227.01(3), a person aggrieved by the order has the further right to file one petition for rehearing as provided in Wis. Stat. § 227.49. The petition must be filed within 20 days of the date of mailing of this decision.

If this decision is an order after rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not an option.

This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

Revised 9/28/98