

LEM

Decision No. 24551.

**ORIGINAL**

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 SIERRA PACIFIC POWER COMPANY )  
 (a corporation) for authority to )  
 issue and sell additional First Mort- )  
 gage and Refunding Gold Bonds, this )  
 issue to be Series B and to bear )  
 interest at Five and One-half Per )  
 Cent (5½). Authorized Amount of )  
 this issue Eight Hundred Thousand )  
 Dollars(\$800,000.00). )

Application No. 17946

Orrick, Palmer & Dahlquist,  
by T.W.Dahlquist, for applicant.

BY THE COMMISSION:

O P I N I O N

Sierra Pacific Power Company has applied to the Railroad Commission for permission to execute an indenture supplemental to its mortgage or deed of trust of September 1, 1930, and to issue and sell \$800,000.00 of its first mortgage and refunding five and one half percent gold bonds due March 1, 1957, at not less than 85 percent of their face value plus accrued interest, for the purpose of paying outstanding indebtedness.

It appears that Sierra Pacific Power Company is engaged in the public utility electric, gas and water business in the State of Nevada and to a lesser extent, in California, serving electricity for light, power and other purposes in and about Floriston, Portola and the Lake Tahoe district and supplying it at wholesale to Truckee Electric Light and Power Company and Truckee Public Utility District, at Truckee, and to the Southern Pacific Company east of the summit

of the Sierra Nevada Mountains. Its total revenues and expenses for the last two calendar years have been reported as follows:-

I T E M	Years ending December 31,	
	1930	1931
Electric operating revenues .....	\$1,075,840.31	\$1,162,444.07
Electric operating expenses .....	448,550.18	639,033.58
Net electric operating revenues...	627,290.13	523,410.49
Gas operating revenues .....	145,986.31	150,188.41
Gas operating expenses .....	82,875.26	79,305.46
Net gas operating revenues.....	63,091.05	70,882.95
Water operating revenues .....	254,082.23	247,881.02
Water operating expenses .....	106,203.32	106,629.58
Net water operating revenues.....	147,878.91	141,251.46
Total net operating revenues.....	838,260.09	735,544.90
Uncollectible bills .....	8,903.77	15,161.26
Taxes .....	177,299.14	173,491.12
Balance .....	652,057.18	546,892.52
Rent for lease of plant .....	14,633.58	7,483.55
Balance .....	637,423.60	539,408.97
Nonoperating income .....	15,349.60	16,980.14
Gross corporate income .....	652,773.20	556,389.11
<b>DEDUCTIONS:</b>		
Interest on bonds .....	31,368.66	70,000.00
Other interest .....	176,911.47	136,735.45
Amortization .....	1,471.88	4,584.49
Miscellaneous .....	6,101.30	726.38
Depreciation .....	100,000.00	100,000.00
Total .....	\$315,853.31	\$312,046.32
Profit for year .....	\$336,919.89	\$244,342.79

On July 31, 1929, the company filed its Application No. 15833 for authority, among other things, to execute a mortgage or deed of trust on its properties. Such authority was granted by Decision No. 21494, dated August 30, 1929, as amended, and thereafter the company executed an indenture of the open-end type providing for an initial issue of \$1,600,000.00 of bonds and an additional issue of \$4,000,000.00 issuable when its net earnings for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the date of the application to the trustee for certification, are at least twice the annual interest charges on all bonds then

outstanding, all outstanding refundable debt and outstanding prior lien bonds, and bonds applied for. Additional bonds may thereafter be certified by the trustee in an aggregate principal amount equal to seventy percent of the net cost of physical property not previously certified to the trustee, and subject to the earnings restriction applying in the case of the \$4,000,000.00 of bonds.

Heretofore the company has issued \$1,400,000.00 of bonds of the initial series. It now proposes to amend its trust indenture by reducing the amount of the additional bonds from \$4,000,000.00 to \$2,100,000.00 and to issue \$800,000.00 thereof to pay indebtedness existing as of June 30, 1929 and to finance capital expenditures made prior to that date. The record shows that the present application in no way is predicated on expenditures made subsequent to June 30, 1929.

It appears that about the time of making the former application, the company had outstanding indebtedness in the amount of \$2,202,666.67, as follows:

Underlying bond issues . . . . .	\$309,000.00
Due Sierra Pacific Electric Company:	
Notes . . . . .	1,400,000.00
Advances . . . . .	428,666.67
Due Reno National Bank . . . . .	65,000.00
Total . . . . .	<u>\$2,202,666.67</u>

The underlying bond issues and a portion of the amounts due Sierra Pacific Electric Company, the owner of applicant's outstanding stock, were paid through the original \$1,400,000.00 bond issue and the proposed \$800,000.00 issue is for the purpose of liquidating in part the other indebtedness. Testimony in this connection given by Mr. H.P. Dayton, applicant's treasurer and assistant secretary, as well as an analysis of the company's financial statements, clearly indicate that the indebtedness referred to was incurred in the making of additions

to, and betterments of, applicant's/<sup>plants</sup>and properties, and it therefore appears to us that the request to issue bonds in payment thereof is not unreasonable.

The application shows that the company at this time has outstanding \$1,400,000.00 of bonds and \$1,987,000.00 of six percent notes and accounts payable to Sierra Pacific Electric Company. At the conclusion of the proposed financing, applicant's bonded debt will be increased to \$2,200,000.00 and the amounts due its holding company reduced to \$1,307,000.00, making a total indebtedness, aside from current liabilities of \$3,507,000.00. The company has filed a valuation of its properties, as Exhibit "E", showing an estimated cost of its fixed capital as of December 31, 1931, of \$9,952,784.00, exclusive of development cost, water right value, materials and supplies and working capital. In its balance sheet it reports its fixed capital at \$10,405,679.00 and its reserve for depreciation at \$1,293,214.00. It is not necessary for the purpose of this proceeding to reconcile the difference between the two amounts, or analyze the same in detail.

#### ORDER

Sierra Pacific Power Company having applied to the Railroad Commission for permission to execute an indenture and to issue bonds, a public hearing having been held before Examiner Fankhauser and the Railroad Commission being of the opinion that the application should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of such bonds is reasonably required for the purpose specified herein, which purpose is not in whole or in part reasonably chargeable to operating expense or to

income,

IT IS HEREBY ORDERED, that Sierra Pacific Power Company be, and it hereby is, authorized to execute an indenture supplemental to its mortgage or deed of trust dated September 1, 1930, and to issue and sell at not less than 85 percent of their face value, and accrued interest, \$800,000.00 of its first mortgage and refunding gold bonds, Series "B", bearing interest at five and one half percent per annum and maturing on March 1, 1957, and to use the proceeds to pay in part indebtedness due Sierra Pacific Electric Company.

The authority herein granted is subject to the following conditions:-

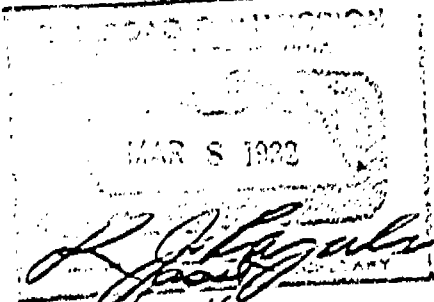
1. Applicant shall keep such record of the issue of the bonds herein authorized and of the disposition of the proceeds as will enable it to file, on or before the 25th day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.
2. The authority herein granted to execute a trust indenture is for the purpose of this proceeding only and is granted only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of such trust indenture as to such other legal requirements to which it may be subject.
3. Within thirty (30) days after execution of the trust indenture applicant shall file two certified copies thereof, with the Railroad Commission.
4. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57

of the Public Utilities Act, which fee is Eight  
Hundred (\$800.00) Dollars.

DATED at San Francisco, California, this 7<sup>th</sup> day of  
March, 1932.

C. J. [Signature]  
Leon [Signature]  
W. A. [Signature]  
W. B. [Signature]  
Fred G. [Signature]  
Commissioners.

Fee \$ 800 <sup>00</sup>/<sub>100</sub>



Fee # 23537