

Decision No. 33577

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SIERRA PACIFIC POWER COMPANY

for an order authorizing it (1) to execute and deliver its Indenture of Mortgage to be dated as of December 1, 1940, to be executed to The New England Trust Company and Leo W. Huegle, as Trustees, and (2) to issue and sell \$3,000,000 principal amount of a new issue of bonds to be designated as First Mortgage Bonds, Series A 3-1/4%, to be dated as of December 2, 1940 and to be due December 1, 1970.

ORIGINAL

Application No. 23777

Orrick, Dahlquist, Neff and Herrington, by
T. W. Dahlquist, for Applicant.

BY THE COMMISSION:

O P I N I O N

In this proceeding the Commission is asked to enter its order authorizing Sierra Pacific Power Company to execute and deliver an indenture of mortgage to secure the payment of bonds, and to issue and sell at 103% of their face value and accrued interest, for the purposes hereinafter stated, \$3,000,000 of First Mortgage Bonds, Series A 3-1/4%, dated December 2, 1940 and due December 1, 1970.

Sierra Pacific Power Company was incorporated under the laws of the State of Maine on March 13, 1912, as The Truckee River General Electric Company. Subsequently, its name was changed to Sierra Pacific Power Company. Sierra Pacific Electric Company

was merged into Sierra Pacific Power Company effective November 19, 1937. The company is authorized to do business in the States of California and Nevada. It owns and operates public utility electric, gas and water properties in Nevada, and public utility electric properties in California. For the year 1939, its operating revenues amounted to \$2,091,701.14, segregated as follows:

Electric	\$1,701,573.44
Gas	85,698.67
Water	304,429.03

Its revenues from the sale of electric energy in California in 1939 are reported at \$193,804.80. This is approximately 11.4% of its total electric revenues.

The company, as of August 31, 1940, reports its assets and liabilities as follows:

<u>ASSETS</u>		
Utility plant		\$12,167,065.00
Other physical property		342,826.67
Cash		77,228.55
Special deposits		2,075.00
Accounts receivable		233,914.45
Materials and supplies		99,164.06
Prepayments		5,419.00
Unamortized debt, discount and expense		175,698.77
Miscellaneous deferred assets		<u>4,596.36</u>
Total assets		<u>\$13,107,987.86</u>
<u>LIABILITIES</u>		
Capital stock		\$ 6,896,285.00
Preferred 6%	\$3,500,000.00	
Common	3,396,285.00	
Long term debt		2,232,428.10
Series A 5% Bonds, due 1960	1,400,000.00	
Series B 5 1/2% " " 1957	773,000.00	
Contractual obligations	59,428.10	
Notes payable		350,000.00
Accounts payable		73,103.64
Customers' deposits		36,866.83
Taxes accrued		277,044.64
Interest accrued		3,069.13
Other current liabilities		318.33
Deferred credits		73,213.90
Retirement reserve		1,619,617.87
Reserve for uncollectible accounts		45,419.02
Contributions in aid of construction		35,618.24
Capital surplus		211,000.00
Earned surplus		<u>1,254,003.16</u>
Total liabilities		<u>\$13,107,987.86</u>

The \$12,167,065.00 utility plant investment includes \$1,041,945.19 charged to account 100.5, Electric plant acquisition adjustment.

The Railroad Commission by Decision No. 21494, dated August 30, 1929, in Application No. 15833, authorized the company to issue \$1,400,000 of 5% bonds due September 1, 1960, and by Decision No. 24551, dated March 7, 1932, in Application No. 17946, to issue \$300,000 of 5½% bonds due March 1, 1957. Applicant issued said \$2,200,000 of bonds. Since their issue it redeemed \$27,000, leaving \$2,173,000 outstanding. The company now intends to redeem said \$2,173,000 of bonds on or before January 3, 1941. To redeem the 5% bonds it must pay the face value thereof, the accrued interest and a premium of 4% of the face value of the bonds. To redeem the 5½% bonds it must pay the face value thereof, the accrued interest and a premium of 2% of the face value of the bonds. The redemption of the bonds, exclusive of accrued interest, calls for an expenditure of \$2,244,460.

To pay for additions and betterments to its properties, the company borrowed from The National Shawmut Bank of Boston, \$350,000. This loan is represented by an unsecured, short-term note, bearing interest at the rate of 1½% per annum. The company is also indebted to the Hobart Estate Company in the amount of \$59,428.10. This is the balance due on the purchase price of certain real property situate in Sierra and Nevada Counties, California, and known as Independence Lake. For the purpose of paying said bonds, said other indebtedness, and to reimburse its treasury because of income expended for additions and betterments, and provide itself with funds to finance new construction, the company desires permission to issue and sell at 103% of their face value and accrued interest, \$3,000,000 of First Mortgage Bonds,

Series A 3-1/4%, due December 1, 1970. Bonds in the amount of \$1,500,000 will be sold to the John Hancock Mutual Life Insurance Company, and bonds in the amount of \$1,500,000 to Massachusetts Mutual Life Insurance Company. Each of the Insurance Companies has agreed to purchase \$1,150,000 of the bonds on December 27, 1940 and \$350,000 of the bonds on June 28, 1941, or at such earlier date as the company may in writing specify, but of which earlier date the company shall give at least seven days' notice. The proceeds from the \$700,000 of bonds will be used to pay the bank note and to pay the cost of additions and betterments to the company's properties. The proceeds from the ~~\$2,200,000~~ ^{\$2,300,000-} of bonds, *17.5m.* which the Insurance Companies will acquire on December 27, 1940, will be used to pay outstanding bonds, to pay expenses incident to the issue of the bonds, and to reimburse the company's treasury because of money expended to pay the balance due on the Hobart Estate Company indebtedness, and for additions and betterments.

The company's preliminary construction budget for 1941, a copy of which is on file in this proceeding as Exhibit No. 5, shows an estimated expenditure of \$407,950. The record shows that while the company is seeking permission to reimburse its treasury because of income expended for additions and betterments, such bond proceeds as are not needed to pay outstanding indebtedness and to pay the expenses incident to the bond issue, will be used to carry forward the company's 1941 construction program.

At the hearing, applicant filed as Exhibit E, a copy of its proposed indenture of mortgage, and requested that it be substituted for the copy then on file with the Commission. The New England Trust Company and Leo W. Huegler will be Trustees under said indenture of mortgage. It defines the terms and conditions under which first mortgage bonds may be issued. Among other things

it provides that not more than \$4,000,000 of first mortgage bonds may be issued on the basis of the properties owned by the company on October 31, 1940. Subject to other provisions of the indenture, the corporate trustee may authenticate bonds to an aggregate principal amount not to exceed 60% of the net amount of additional property, provided that the company's net earnings as defined in the indenture for a period of twelve consecutive calendar months within fifteen calendar months immediately preceding the date of the application for the authentication of bonds, have been at least two (2) times the aggregate amount of the annual interest charges upon (1) all outstanding bonds; (2) all outstanding prior lien debt, and (3) bonds which the Trustee is asked to authenticate.

ORDER

Sierra Pacific Power Company having asked permission to execute an indenture of mortgage and to issue and sell \$3,000,000 of First Mortgage Bonds, Series A 3-1/4%, due December 1, 1970, a public hearing having been held before Examiner Fankhauser, the Commission having considered the evidence submitted at such hearing, and it being of the opinion that the money, property or labor to be procured or paid for by the issue of said bonds is reasonably required for the purposes herein stated, that the expenditures for said purposes, other than the payment of expenses incident to the issue of said bonds, are not reasonably chargeable to operating expenses or to income, and that this application should be granted subject to the provisions of this order, therefore

IT IS HEREBY ORDERED as follows:

1. Sierra Pacific Power Company may, after the effective date hereof and on or before June 30, 1941, execute an indenture of mortgage substantially in the same form as the indenture of mortgage filed in this proceeding on November 19, 1940, provided that the authority herein granted to execute said indenture of mortgage is for the purpose of this proceeding only, and is granted insofar as the Railroad Commission has jurisdiction over the terms of the Public Utilities Act, and is not intended as an approval of said indenture of mortgage as to such other legal requirements to which said indenture of mortgage may be subject.

2. Sierra Pacific Power Company may, after the effective date hereof and on or before June 30, 1941, issue and sell at not less than 103% of their face value and accrued interest, \$3,000,000 of First Mortgage Bonds, Series A 3-1/4%, due December 1, 1970, and use the proceeds realized from the sale of said bonds for the purposes set forth in Exhibit 2 filed in this proceeding, which purposes are stated generally in the foregoing opinion.

3. The authority herein granted will become effective when Sierra Pacific Power Company has paid the fee proscribed by Section 57 of the Public Utilities Act, which fee is Eight hundred and twenty seven (\$827.00) Dollars.

4. Sierra Pacific Power Company shall file with the Railroad Commission within thirty (30) days after the execution and delivery of the indenture of mortgage herein authorized, two certified copies of said indenture of mortgage.

5. Sierra Pacific Power Company shall within thirty (30) days after the issue and sale of the bonds herein authorized, file with the Railroad Commission a statement showing in detail

the expenses incurred by it in connection with the issue and sale of said bonds.

6. Sierra Pacific Power Company shall file with the Railroad Commission such reports as are required by the Commission's General Order No. 24-A, which order insofar as applicable is made a part of this order.

Dated at San Francisco, California, this 26th day of November, 1940.

Ray L. Rice
George W. Hill
Robert W. Johnson
W. H. ...
Justin J. Quinn
Commissioners

