

Decision No. 40567

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )

SIERRA PACIFIC POWER COMPANY )

for an order authorizing it (a) to )  
execute the First Supplemental In- )  
denture supplemental to its Inden- )  
ture of Mortgage dated December 1, )  
1940 and (b) to issue and privately )  
sell \$975,000 principal amount of )  
a new series of bonds to be desig- )  
nated as First Mortgage Bonds, )  
2-7/8% Series, due August 1, 1977. )  
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**ORIGINAL**

Application  
No. 28605

O P I N I O N

This is an application by Sierra Pacific Power Company for an order of the Public Utilities Commission authorizing it to execute a supplemental indenture and to issue and sell \$975,000 of bonds for the purposes hereinafter set forth.

Sierra Pacific Power Company is a corporation organized on or about March 13, 1912, under the laws of the State of Maine and now engaged in the operation of public utility electric, gas and water properties in Nevada and public utility electric properties in California. Its California properties include, among other things, hydroelectric plant at Farad, transmission lines to Truckee, Summit and Portola, and distribution lines in the Counties of Alpine, El Dorado, Nevada, Placer, Plumas and Sierra. Its revenue from operations in California is somewhat less than 10% of its total revenues.

In its financial statements filed with the Commission the company reports its total operating revenues at \$2,776,261 in 1945, at \$3,125,910 in 1946, and at \$1,083,632 during the first four months of 1947, and its net income at \$570,468 in 1945, at \$664,680 in 1946, and at \$227,497 during the first four months of 1947. It reports its assets and liabilities as of April 30, 1947, as follows:

Assets

Utility plant	\$14,010,392.55
Other physical property	341,218.40
Cash	72,358.58
Special deposits	1,561.25
Accounts receivable:	
Consumers	217,026.23
Miscellaneous	9,574.13
Materials and supplies:	
General	232,642.72
Fuel	2,177.30
Prepayments	9,111.57
Deferred debits	<u>31,871.26</u>
Total assets	<u>\$14,927,933.99</u>

Liabilities

Capital stock:	
Preferred, 6%, 35,000 shares, \$100 par value	\$ 3,500,000.00
Common, 226,584 shares, \$15 par value	3,398,760.00
First Mortgage Bonds, Series A 3-1/4%, due 1970	3,000,000.00
Notes payable	350,000.00
Accounts payable	162,842.81
Customers' deposits	19,907.19
Taxes accrued	524,466.73
Interest accrued	42,010.55
Deferred credits:	
Unamortized premium on debt	50,039.13
Customers' advances for construction	184,545.20
Other	5.60
Reserves:	
Retirement	2,394,010.59
Uncollectible accounts	44,095.58
Contributions in aid of construction	107,050.62
Earned surplus	<u>1,150,199.99</u>
Total liabilities	<u>\$14,927,933.99</u>

By Decision No. 33677, dated November 26, 1940, the Commission authorized applicant 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. Thereafter, according to reports filed with the Commission, the company sold said bonds during 1940 and 1941 at 103% of face value plus accrued interest, and used the proceeds to retire 5% bonds formerly outstanding, to pay indebtedness, to reimburse its treasury and to finance in part the cost of expenditures for permanent additions and improvements to its properties.

The company now reports the need for additional funds to meet its capital requirements and accordingly now proposes to create a new series of bonds to be known as First Mortgage Bonds, 2-7/8% Series, due 1977, and to sell \$975,000 principal amount of said bonds to John Hancock Mutual Life Insurance Company at 101% of the principal amount, plus accrued interest to date of delivery. Because the bonds will constitute a new series, it will be necessary for the company to execute a supplemental indenture which will define their terms.

In support of its request, the company alleges that between October 31, 1940, and April 30, 1947, it made net additions and improvements to its utility facilities in the total amount of \$2,304,727.36, as shown in Exhibit "B" attached to the application herein, no part of which amount was paid or provided for through the issue of securities. In addition, it estimates that during the year 1947 it will be called upon to expend more than \$1,000,000 for further improvements and additions. Of this amount the principal items budgeted are as follows:

Miscellaneous extensions to serve new customers--electric	\$400,000
Recoppering of 2 - 60 K.V. lines	300,000
60 K.V. line to Battle Mountain	90,000
Capacitor installations	65,000
Miscellaneous extensions to serve new customers--water	125,000

It reports that heretofore during this year, in connection with its 1947 improvements, it has borrowed \$475,000 from banks, evidenced by unsecured six-months promissory notes bearing interest at the rate of 2% per annum. It now desires to use bond proceeds to repay these notes and to meet in part its requirements for additions and improvements to be made during the remainder of the year.

A review of the application and of the company's financial statements shows that its investment in properties and its operations are increasing rapidly, and that it is in need of additional funds from outside sources to pay its current obligations, to meet in part its capital requirements and to improve its cash position.

#### ORDER.

Sierra Pacific Power Company having applied to the Public Utilities Commission for permission to execute a supplemental indenture and to issue and sell bonds, and the Commission having considered the matter and being of the opinion that a public hearing is not necessary, that the requests of applicant

should be granted, as herein provided, and that the money, property or labor to be procured or paid for through the issue of said bonds is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. Sierra Pacific Power Company, after the effective date hereof and on or before October 31, 1947, may execute its First Supplemental Indenture dated as of August 1, 1947, in, or substantially in, the same form as the indenture filed in this proceeding, and may issue and sell at not less than 101% of face value plus accrued interest, \$975,000 of its First Mortgage Bonds, 2-7/8% Series, due August 1, 1977, for the purpose of obtaining funds to pay outstanding notes, to reimburse its treasury and to finance the cost of permanent improvements and additions to its plants and properties.

2. Sierra Pacific Power Company shall file with the Commission a report, or reports, of the issue of the bonds herein authorized and of the disposition of the proceeds as required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted will become effective when Sierra Pacific Power Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Nine Hundred Seventy-five (\$975.00) Dollars.

Dated at San Francisco, California, this 29<sup>th</sup> day  
of July, 1947.

Harold H. Kule  
Justice J. Quinn  
John H. Quinn  
Commissioners

