

ORIGINALDecision No. **41329**

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)	
issue and sell at public bidding	:	
\$3,500,000 principal amount of its)	Application
First Mortgage Bonds, _____% Series	:	No. 29202
due 1978 and (b) to execute the)	
Second Supplemental Indenture	:	
supplemental to its Indenture)	
Mortgage dated December 1, 1940.	:	
-----)	

Orrick, Dahlquist, Neff, Brown & Herrington, by
T. W. Dahlquist, for applicant; J. G. Allard,
 Chairman, and A. M. Smith, Commissioner and
 Nevada State Engineer, for Public Service Com-
 mission of Nevada, interested parties.

CRAEMER, Commissioner

O P I N I O N

By this application, Sierra Pacific Power Company asks permission to issue and sell at the best price obtainable by it at competitive bidding, for the purposes hereafter stated, \$3,500,000 of its First Mortgage Bonds, _____% Series due 1978, and execute a Second Supplemental Indenture dated April 1, 1948.

Sierra Pacific Power Company, hereafter sometimes referred to as Applicant, is a corporation organized on March 13, 1912, under the laws of the State of Maine. Applicant owns and operates public utility electric, gas and water properties in Nevada and California. For 1947, Applicant reports operating revenues of \$3,512,217.95, segregated as follows:

Electric		\$2,952,653.89
Nevada operations	\$2,577,571.15	
California operations	375,082.74	
Gas - Nevada operations		152,707.59
Water - Nevada operations		406,856.47

For 1947, Applicant reports its gross income, that is, the amount available for interest, other fixed charges, dividends and surplus, at \$818,910.46. It disbursed or appropriated the \$818,910.46 for the following purposes:

Interest on long-term debt	\$107,233.09
Other interest	5,830.92
Miscellaneous amortization	30,000.00
Amortization of premium on debt (Cr.)	(2,163.61)
Miscellaneous income deductions	6,521.58
Dividends on preferred stock	210,000.00
Dividends on common stock	362,534.40
Addition to earned surplus	98,954.08

As of December 31, 1947, Applicant reports assets and liabilities as follows:

Assets and Other Debits

Utility plant		\$14,836,636.40
Electric plant	\$10,830,907.30	
Gas plant	603,100.41	
Water plant	3,402,628.69	
Other physical property		341,218.40
Current and accrued assets		784,223.03
Cash	103,434.76	
Special deposits	1,561.25	
Accounts receivable-customers	295,391.38	
Accounts receivable-others	4,164.43	
Materials and supplies	365,815.20	
Prepayments	13,856.01	
Other deferred debits		<u>20,706.75</u>
Total assets and other debits		<u>\$15,982,784.58</u>

Liabilities and Other Credits

Common stock, 226,584 shares, \$15 par value		\$ 3,398,760.00
Preferred stock, 6% cumulative, 35,000 shares, \$100 par value		3,500,000.00
First mortgage bonds		3,975,000.00
Series A 3½% due Dec.1,1970	\$ 3,000,000.00	
2-7/8% Series due 1977	975,000.00	
Current and accrued liabilities		1,079,629.99
Notes payable	350,000.00	
Accounts payable	212,411.14	
Customers' deposits	21,903.78	
Taxes accrued	474,356.50	
Interest accrued	20,958.57	
Deferred credits		265,391.52
Unamortized premium on debt	48,624.57	
Customers' advances for construction	211,756.00	
Other deferred credits	5,011.25	

Liabilities and Other Credits (continued)

	Brought forward	\$12,218,781.81
Reserves		2,348,878.45
Reserve for depreciation	\$2,297,108.09	
Reserve for uncollectible accounts	41,236.13	
Other reserves	10,534.23	
Contributions in aid of construction		107,200.62
Earned surplus		<u>1,307,923.70</u>
Total liabilities and other credits		<u>\$15,982,784.58</u>

Applicant estimates its 1948-1949 construction expenditures at \$4,017,000. The principal items are as follows:

Electric Department:

Construction of 110 Kv line and 45,000 Kva 110/60 Kv substation to connect with P.G. & E. Co.	\$ 750,000
Construction of 60 Kv transmission line between Truckee and Tahoe and necessary substation equipment at each end	130,500
Rebuild existing lines for 60 Kv operation to increase capacity of transmission system	172,000
Reinsulate and recopper transmission lines for the purpose of increasing the capacity of the transmission system	143,500
Construction of new substations, increasing the capacity of existing substations and switchgear	318,000
Construction of new and rebuilding of old distribution circuits to serve new areas and loads	456,000
General improvements to plants, system controls, and buildings and equipment	260,700
Extensions, meters and services necessary to serve new customers	<u>768,700</u>
Total Electric	<u>\$2,999,400</u>

Water Department:

Miscellaneous extensions and connections necessary to serve new customers	\$ 300,500
Construction of new water mains to increase the capacity of the system and to serve new areas	402,000
Replacement and widening of flume on water system supply	101,000
General improvements to system and equipment	<u>46,300</u>
Total Water	<u>\$ 849,800</u>

Brought forward \$3,849,200

Gas Department:

Construction of mains to serve new areas and replacement of mains to increase capacity of system	102,000
Miscellaneous extensions and connections necessary to serve new customers	24,800
General improvements to plant and equipment	<u>41,000</u>
Total Gas	\$ <u>167,800</u>
Total	<u>\$4,017,000</u>

Applicant estimates that its 1948 cash construction expenditures will amount to about \$1,700,000. The testimony shows that it has during the current year expended about \$322,000 for construction purposes. To increase its supply of electric energy, as provided in the agreement authorized by the decision in Application No. 29221, it is necessary for Applicant to construct the 110 Kva transmission line and 110/60 Kv substation referred to above.

Applicant has borrowed \$750,000 from the National Shawmut Bank of Boston. The loan is evidenced by short-term promissory notes discounted at 1½% and payable July 1, 1948. It may be that Applicant will have to borrow additional sums pending the receipt of the proceeds from the sale of the bonds.

Applicant reports that between October 31, 1940, and December 31, 1947, it expended \$2,175,971.21 for net additions and betterments to its properties, and that it has not issued any bonds or stock to finance such expenditures. To pay expenses incident to the issue of \$3,500,000 of bonds, which expenses are estimated at \$46,000; to reimburse its treasury; to pay outstanding notes and to finance in part its construction program, Applicant asks permission to issue, as said, \$3,500,000 of its First Mortgage Bonds, to be dated April 1, 1948, and mature April 1, 1978. Applicant will invite sealed bids for the purchase of the bonds. The bidders will

name the interest rate. Applicant, however, states that it will not sell the bonds for less than 100% nor for more than 102-3/4% of the principal amount thereof, and that the bonds will be sold to the bidder whose bid is most favorable to Applicant in providing the lowest annual cost of money. The redemption prices of the bonds will be determined in reference to the initial public offering price, which will be set by the accepted bidder. The bonds will be issued under and secured by Applicant's indenture of mortgage dated as of December 1, 1940, its First Supplemental Indenture dated August 1, 1947, and the proposed Second Supplemental Indenture to be dated April 1, 1948. A copy of the Second Supplemental Indenture is on file in this proceeding. It provides for the authentication and delivery to Applicant by the trustee of new bonds of the 1978 Series initially up to \$3,500,000 in principal amount. The Second Supplemental Indenture is in satisfactory form.

Applicant's capitalization ratios before and after the issue of said \$3,500,000 of bonds are shown by the following tabulation:

Class of Security	: Before issue of : After issue of		: \$3,500,000 of bonds: \$3,500,000 of bonds	
	: Amount	: %	: Amount	: %
Bonds	\$ 3,975,000	32.63	\$ 7,475,000	47.67
Preferred stock	3,500,000	28.73	3,500,000	22.32
Common stock	3,398,760	27.90	3,398,760	21.67
Earned surplus	1,307,923	10.74	1,307,923	8.34
Total	<u>\$12,181,683</u>	<u>100.00</u>	<u>\$15,681,683</u>	<u>100.00</u>

I recommend the following form of Order.

O R D E R

The Commission has considered the testimony submitted at the hearing had on this matter and is of the opinion that the money, property or labor to be procured or paid for by the issue of said \$3,500,000 face amount of First

Mortgage Bonds, _____% Series due 1978, by Sierra Pacific Power Company is reasonably required by said Sierra Pacific Power Company for the purposes herein stated, that the expenditures for said purposes, other than the accrued interest and the payment of bond sale expenses, are not, in whole or in part, 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, after the effective date hereof and on or before May 31, 1948, may issue and sell at a price to be fixed by a supplemental order, \$3,500,000 face amount of its First Mortgage Bonds, _____% Series due 1978.

2. Sierra Pacific Power Company shall use the proceeds, exclusive of accrued interest, derived from the issue and sale of said bonds for the following purposes:

- (a) To pay expenses incident to the issue and sale of said bonds, approximately \$46,000.
- (b) To discharge indebtedness incurred for the purpose of financing in part the construction expenditures set forth in the preceding opinion.
- (c) In part to reimburse Applicant's treasury for moneys heretofore expended for the acquisition of property or for the construction, completion, extension or improvement of its facilities and not secured by or obtained from the issue of stocks or stock certificates or other evidences of interest or ownership, or bonds, notes, or other evidences of indebtedness.
- (d) To finance in part its construction expenditures set forth in the preceding opinion.
- (e) The accrued interest may be used by Applicant for general corporate purposes.

3. Pending the preparation and delivery of definitive bonds, Sierra Pacific Power Company may issue, sell and deliver temporary bonds in the face amount of \$3,500,000 under the same terms and conditions as those under which it is authorized to issue and sell said \$3,500,000 of definitive bonds.

4. Sierra Pacific Power Company may execute a Second Supplemental Indenture in, or substantially in, the same form as that filed in this application.

5. Sierra Pacific Power Company shall invite the submission of written sealed bids for the purchase of said \$3,500,000 of First Mortgage Bonds, _____% Series due 1978, and open all of said bids at the time and place designated in its invitation for bids.

6. The authority herein granted to issue and sell said \$3,500,000 of bonds will become effective when the Public Utilities Commission of the State of California has by a supplemental order fixed the price at which Sierra Pacific Power Company may sell said \$3,500,000 of bonds, and when said Company has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is two thousand two hundred fifty (\$2,250.00) dollars. The authority herein granted to invite bids for the purchase of said bonds and to execute a Second Supplemental Indenture is effective upon the date hereof.

7. Sierra Pacific Power Company shall file with the Public Utilities Commission within six (6) months after the issue and sale of said \$3,500,000 of bonds, a statement showing in detail the expenses incurred by it in connection with the issue

and sale of said \$3,500,000 of bonds, the price at which Applicant sold said bonds, to whom said bonds were sold and the purposes for which it expended the bond proceeds. Applicant shall further file with the Commission as soon as available, a complete copy of the registration statement filed with the Securities and Exchange Commission including the exhibits referred to therein, except such exhibits as it has heretofore filed in prior applications, and, when executed, two (2) copies of its Second Supplemental Indenture dated April 1, 1948.

The foregoing Opinion and Order are hereby adopted and ordered filed as the Opinion and Order of the Public Utilities Commission of the State of California.

Dated at San Francisco, California, this 27th day of April, 1948.

R. E. Underwood
Justice J. G. Gower
Just. H. K. Hall
Harold P. Hull
Commissioners

