

ORIGINAL

Decision No. 44759

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 its Debenture Indenture :
and to issue thereunder and sell at)
public bidding \$2,500,000 principal :
amount of its _____% Debentures)
due October 1, 1975, and (b) to issue :
and sell 24,716 additional shares of)
its Common Stock, \$15 par value. :
-----)

Application
No. 31704

O P I N I O N

In this application, Sierra Pacific Power Company seeks authorization to execute an indenture, to issue and sell at competitive bidding \$2,500,000 of debentures, and to issue and sell 24,716 shares of common stock of the par value of \$15 each, and of the aggregate par value of \$370,740, for the purpose of paying indebtedness and of financing the cost of construction.

Applicant is a corporation organized on or about March 13, 1912, under the laws of the State of Maine. It is engaged in the public utility electric business in California and Nevada, and in the public utility gas and water business in Nevada. Its California operations, which produce about 10% of its total revenues, are conducted in the Counties of Alpine, El Dorado, Nevada, Placer, Plumas and Sierra, the localities served including Portola, Loyalton, Markleeville, and the communities around Lake Tahoe.

In financial statements filed with the Commission, applicant has reported revenues and expenses as follows:

Twelve Months EndedJune 30, 1949 June 30, 1950

Operating revenues	\$4,168,138.34	\$4,558,362.91
Net income	650,750.75	719,406.44
Preferred dividends	210,000.00	210,000.00
Balance available for common stock and surplus	440,750.75	509,406.44
Earnings per common share, 226,584 shares, \$15 par value	1.95	2.25

As of June 30, 1950, applicant's assets and liabilities are reported as follows:

Assets

Utility plant -		
Original cost	\$18,330,382.03	
Less-reserves for depreciation	<u>1,697,784.93</u>	
Net		\$16,632,597.10
Other physical property		237,837.32
Current assets		1,023,798.23
Deferred debits		<u>120,302.11</u>
Total		<u>\$18,014,534.76</u>

Liabilities

Bonds		\$ 7,475,000.00
Current liabilities -		
Notes payable	\$ 1,800,000.00	
Other current liabilities	<u>796,362.26</u>	
Total current liabilities		2,596,362.26
Deferred credits		597,529.63
Contributions in aid of construction		124,757.60
Preferred stock		3,500,000.00
Common stock and surplus -		
Common stock	3,398,760.00	
Earned surplus	<u>322,125.27</u>	
Total common stock and surplus		<u>3,720,885.27</u>
Total		<u>\$18,014,534.76</u>

The notes payable, now in the aggregate amount of \$2,200,000, bear interest at the rate of 2% per annum and mature October 31, 1950. Of the total amount, it appears that \$900,000, representing renewals of earlier notes, were authorized by the Commission by Decision No. 44313, dated June 20, 1950, in Application No. 31472.

Applicant now desires to pay its outstanding notes, which are reported to have been issued to meet construction requirements since July 1, 1949, and to make provision for additional construction for the balance of 1950. It estimates that for the last six months of the year its expenditures will aggregate \$1,053,000, as follows:

Electric Department

Construction of 120 KV line and Substation to connect with Pacific Gas and Electric Company	\$ 64,000
Extensions, meters and services necessary to serve new customers	229,000
Construct 60 KV line from Wadsworth to Line House	349,000
General improvements to plants, system controls, buildings and general equipment	<u>203,000</u>
Total Electric	<u>845,000</u>

Water Department

Miscellaneous extensions and connecting new customers	17,000
Construction of new water mains to increase the capacity of the system and to serve new areas	99,000
Replacement and widening of flume on water supply system	20,000
General improvements to reservoirs and general equipment	<u>11,000</u>
Total Water	<u>147,000</u>

Gas Department

Miscellaneous extensions and connecting new customers	19,000
Construction of mains to serve new areas and replacement of mains to increase capacity of system	18,000
General improvements to plant and equipment	<u>24,000</u>
Total Gas	<u>61,000</u>
Total	<u>\$1,053,000</u>

To obtain funds for these purposes, applicant proposes to sell \$2,500,000 principal amount of debentures and \$370,740 par value of common stock. It intends to invite bids for the purchase of the debentures and to offer the shares of stock to the holders of the presently outstanding shares of preferred and common stock at a price

hereafter to be fixed, with an underwriting agreement for the sale of shares not subscribed by the present stockholders. It plans to open the bids for the purchase of the debentures on October 3, 1950, and on the same day to fix the subscription price for the additional common shares.

After the opening of the bids and the fixing of said subscription price for the additional shares of stock and the making of final underwriting arrangements, applicant will file a supplemental application for the Commission's further consideration, showing the interest rate and terms of redemption of said debentures, and the price at which it desires to sell them, and the proposed terms and conditions for the sale of the shares of stock. It will file also a copy of the debenture indenture, the debenture purchase contract, and the underwriting agreement for the sale of the unsubscribed shares.

A review of the application indicates that applicant has need for the funds to be received through the issue of the debentures and shares of stock, and accordingly a preliminary order will be entered at this time pursuant to applicant's requests.

O R D E R

The Commission having considered the above entitled matter and being of the opinion that a public hearing thereon is not necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for through the issue of the debentures and shares of stock herein authorized is reasonably required by applicant for the purposes specified herein; and that the expenditures for such purposes, other than the accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

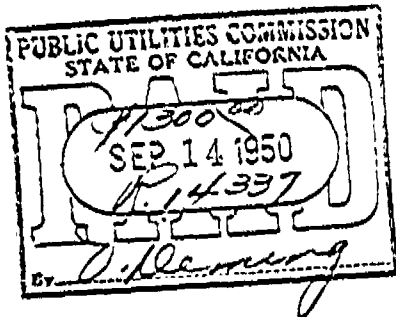
IT IS HEREBY ORDERED as follows:

1. Sierra Pacific Power Company, after the effective date hereof and on or before December 31, 1950, may publish an invitation for bids for the purchase of \$2,500,000 of _____% Debentures due October 1, 1975, and may issue and sell said debentures at a price to be fixed by the Commission in a supplemental order.
2. Sierra Pacific Power Company, after the effective date hereof and on or before December 31, 1950, may issue and sell not exceeding 24,716 shares of its common stock at a price to be fixed by the Commission in a supplemental order.
3. The authority herein granted to issue and sell said \$2,500,000 of debentures will become effective when the Commission by supplemental order has authorized applicant to execute an indenture defining the terms of said debentures, and has fixed the price at which applicant may sell the same, and when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act. The authority herein granted to issue and sell shares of common stock will become effective when the Commission by a supplemental order has fixed the price at which applicant may sell the same. In other respects, the authority herein granted is effective upon the date hereof.
4. Applicant shall use the proceeds to be obtained from the issue and sale of said debentures, exclusive of accrued interest, and from the issue and sale of said shares of stock, for the purposes set forth in this application. The accrued interest may be used for general corporate purposes.
5. Within sixty (60) days after the issue and sale of the debentures and shares of stock herein authorized, applicant shall file with the Commission two (2) copies of its prospectus, and a

report showing the amount of debentures and number of shares of stock sold and the price at which sold.

6. Within six (6) months after the issue and sale of said debentures and shares of stock, applicant shall file with the Commission a statement showing in some detail the expenses incurred by it in connection with such issue and sale, and the account, or accounts, to which such expenses were charged, and a statement showing the purposes for which it used the proceeds received from such issue and sale.

Dated at San Francisco, California, this 11th day of September, 1950.



R. T. Anderson
James P. Casper
W. A. Russell

Commissioners