

ORIGINAL

Decision No. 50599

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 34,807 additional shares |) | |
| of its common stock, \$15 par value, and |) | Application |
| (b) to execute a Fourth Supplemental |) | No. 35752 |
| Indenture supplemental to its Indenture |) | |
| of Mortgage and to issue and sell there- |) | |
| under \$4,000,000 principal amount of a |) | |
| new series of its First Mortgage Bonds. |) | |
| ----- |) | |

O P I N I O N

Sierra Pacific Power Company, applicant herein, is a Maine corporation engaged in operating electric, gas and water properties in Nevada and electric properties in California. In this application it seeks authorization to execute a supplemental indenture, to issue and sell \$4,000,000 in principal amount of first mortgage bonds, and to issue and sell 34,807 shares of its common stock, of the par value of \$15 each and of the aggregate par value of \$522,105, for the purpose of refunding outstanding indebtedness, of reimbursing its treasury, and of financing construction costs.

Applicant intends to offer its bonds for sale at competitive bidding. The bonds will constitute a new series. They will be dated as of November 1, 1954, will mature November 1, 1984, and will bear interest at a rate to be fixed upon the opening of the bids for the purchase of them. Applicant proposes to file a registration statement with the Securities and Exchange Commission on or about October 8, 1954, to invite bids for the purchase of its new bonds

thereafter, and to open bids on November 9 of this year. Because the bonds will constitute a new series, it will be necessary for applicant to create such new series by appropriate supplemental indenture.

As to the shares of common stock covered by this application, it appears that applicant intends to offer them to its existing shareholders pursuant to their preemptive rights and to enter into an underwriting agreement for the sale of any shares not subscribed pursuant to said offer to shareholders. The price will be set forth in a supplemental application.

The purpose of the proposed financing is to provide applicant with funds to pay outstanding bank loans, which aggregated \$2,550,000 as of July 31, to redeem a presently outstanding series of \$1,500,000 of 3-3/4% bonds, and to reimburse its treasury and meet capital requirements. In this connection it reports that its construction program calls for the expenditure of \$4,839,800 from July 31, 1954, to December 31, 1955, for additions and extensions, as set forth in some detail in the application.

It has been applicant's practice, among other things, to meet its capital requirements with short-term borrowings and retained earnings and thereafter to pay such borrowings and to reimburse its treasury through permanent financing in the form of bonds and other evidences of indebtedness and shares of preferred and common stock. Its capital ratios, as of July 31, 1954, and as adjusted to give effect to the proposed financing, are as follows:

| | <u>July 31, 1954</u> | | <u>Pro Forma</u> | |
|---------------------------|----------------------|-------------|---------------------|-------------|
| | <u>Amount</u> | <u>Pct.</u> | <u>Amount</u> | <u>Pct.</u> |
| First mortgage bonds - | | | | |
| 3-1/4% series due 1970 | \$ 3,000,000 | | \$ 3,000,000 | |
| 2-7/8% series due 1977 | 975,000 | | 975,000 | |
| 3-1/8% series due 1978 | 3,500,000 | | 3,500,000 | |
| 3-3/4% series due 1982 | 1,500,000 | | - | |
| New series | - | | 4,000,000 | |
| Total bonds | <u>8,975,000</u> | 39% | <u>11,475,000</u> | 48% |
| Debentures - | | | | |
| 3-3/8% due 1975 | 2,392,000 | 11 | 2,392,000 | 10 |
| Notes | <u>2,550,000</u> | <u>11</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>13,917,000</u> | <u>61</u> | <u>13,867,000</u> | <u>58</u> |
| Preferred stock | 3,500,000 | 15 | 3,500,000 | 15 |
| Common stock equity - | | | | |
| Common stock | 4,171,125 | | 4,693,230 | |
| Premium | 364,777 | | 939,092 | |
| Surplus | <u>843,857</u> | | <u>809,354</u> | |
| Total common stock equity | <u>5,379,759</u> | <u>24</u> | <u>6,441,676</u> | <u>27</u> |
| Totals | <u>\$22,796,759</u> | <u>100%</u> | <u>\$23,808,676</u> | <u>100%</u> |

According to Exhibit A filed in this proceeding applicant's reported investment in its utility plant accounts, as of the close of July of this year, amounted to \$23,768,502 after deducting the accumulated reserves for depreciation. Its current position, as reflected by its balance sheet, includes current assets of \$1,379,272 and current liabilities of \$4,045,526 including, however, the \$2,550,000 of notes which applicant now proposes to pay. Applicant's report of the results of its operations shows operating revenues of \$7,155,793 during the 12 months ended July 31, 1954, as compared with operating revenues of \$6,296,016 during the preceding 12-months period, and net income available for common stock of \$684,146 during the 1954 period and of \$823,101 during the earlier period.

Upon a review of this application it clearly appears to us that applicant will have need for additional funds to liquidate its outstanding indebtedness and to enable it to proceed with its construction requirements. However, applicant has not completed its application with respect to the proposed issue of bonds and the order herein accordingly will be limited at this time to the issue

of the shares of stock.

O R D E R

The Commission having considered the above entitled matter and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for by the issue and sale of the shares of common stock herein authorized is reasonably required by applicant for the purposes specified herein, and that such 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 may issue transferable ~~subscription warrants to the holders of its~~ preferred and common stock evidencing rights to subscribe, at a price to be fixed in a supplemental order, to an aggregate of 34,807 additional shares of applicant's common stock, par value \$15 per share, and carrying additional privileges to subscribe, subject to allotment, for any of said shares not subscribed for pursuant to such rights.

2. Sierra Pacific Power Company may issue and sell, at a price to be fixed in a supplemental order, such of the 34,807 additional shares of common stock as are subscribed for pursuant to such subscription rights and additional subscription privileges.

3. Sierra Pacific Power Company may issue and sell to underwriters, at a price to be fixed in a supplemental order, such of said 34,807 additional shares of common stock as are not subscribed for pursuant to said subscription rights and additional subscription privileges.

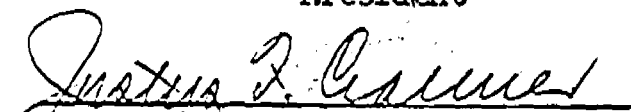

4. Sierra Pacific Power Company shall use the proceeds to be received from the sale of its shares of stock for the purposes set forth in this application.

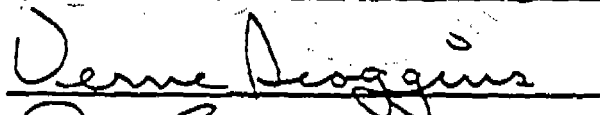
5. Sierra Pacific Power Company shall file a report with the Commission, on or before January 31, 1955, showing the date or dates on which it sold the shares of stock under the authorization herein granted, the price and the total amount received, together with a statement of the purposes for which the proceeds were used.

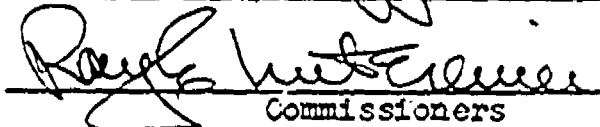
6. The authority herein granted will become effective upon the date hereof.

Dated at San Francisco, California, this 5th day of October, 1954.


President




Commissioners