

ORIGINAL

Decision No. 53023

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 to issue and sell (a) 80,500 shares of New Preferred Stock, and (b) 62,576 shares of Common Stock, \$7.50 par value.

Application
No. 37896

O P I N I O N

Sierra Pacific Power Company has filed this application for authorization to issue 80,500 shares of preferred stock of the par value of \$50 each and 62,576 shares of common stock of the par value of \$7.50 each.

Applicant is a Maine corporation engaged in operating electric properties in California, and electric, gas, and water properties in Nevada. Its authorized and outstanding capital stock as of December 31, 1955, is reported as follows:

	<u>Authorized</u>		<u>Outstanding</u>	
	<u>Shares</u>	<u>Par Value</u>	<u>Shares</u>	<u>Total Par Value</u>
Preferred	35,000	\$100.00	35,000	\$3,500,000
Common	1,000,000	7.50	625,764	4,693,230
Total	<u>1,035,000</u>	-	<u>660,764</u>	<u>\$8,193,230</u>

The outstanding preferred shares are redeemable at 115% of their par value plus accrued dividends. The holders of such shares are entitled to cumulative dividends at the rate of 6% per annum and to four votes for each share held. The holders of the common shares are entitled to one vote for each share held and to pre-emptive rights to subscribe to additional offerings of both common and preferred shares.

The application shows that the company's board of directors has been giving consideration to a financing program which would provide for:

1. The replacement in May, 1956, of its outstanding \$3,500,000 par value of 6% preferred stock with \$4,025,000 par value of a new series of preferred stock with a lower dividend rate, such replacement to be accomplished by exchange or by redemption;
2. The issue and sale in June of this year of 62,576 shares of common stock to applicant's present common shareholders for the purpose of providing for the payment, in part, of outstanding bank loans; and,
3. The issue and sale later in 1956 of a new series of first mortgage bonds in order to refund the balance of applicant's bank loans, to reimburse its treasury and to finance construction expenditures during 1956 and 1957.

To accomplish the first portion of this program, applicant is undertaking to amend its certificate of incorporation so as to create a new class of preferred stock and to terminate the present pre-emptive rights of the common shareholders to subscribe to new preferred stock. ^{1/} It proposes to call its 6% preferred shares for redemption at \$115 a share plus accrued dividends and to give the holders of such preferred shares an option to exchange each of their present shares for 2.3 shares of new preferred stock. Applicant has entered into negotiations with underwriters whereby such underwriters will assist it in soliciting the exchange of preferred shares and will purchase and make a public offering of any unexchanged shares.

^{1/} The common shareholders will retain their pre-emptive rights to subscribe to additional offerings of common shares.

The new preferred shares will carry cumulative dividends at a rate to be determined shortly before the exchange offer is made. Such new preferred shares will be redeemable at \$52.50 each, plus accrued dividends, if redeemed prior to June 1, 1961, and thereafter at reducing premiums. The holders of such shares will have limited voting rights, as required in certain corporate transactions, and when dividends shall be in arrears in an amount equivalent to or exceeding four quarterly dividends, in which event they will be entitled to elect a majority of the board of directors.

As to the 62,576 shares of common stock, applicant proposes to offer them pro rata to the present common shareholders on the basis of one share for each ten shares of common stock held of record, with an over-subscription privilege subject to allotment. The pre-emptive rights to subscribe for such shares will be evidenced by transferable subscription warrants. It is also proposed by applicant to enter into arrangements with underwriters for the sale of common stock not subscribed by shareholders pursuant to their pre-emptive rights. The offer to the shareholders will be at a subscription price per share of not less than 90% of the bid price of the common stock of the company in the over-the-counter market at the close of business on the day preceding the fixing of said price by applicant's board of directors.^{2/} Applicant will apply the proceeds it will receive to pay, in part, its outstanding bank loans, which bank loans aggregated \$1,900,000 at the close of 1955.

As shown above, the dividend rate on the new preferred shares, the public offering price, and the underwriting terms for the un-exchanged preferred shares, as well as the price of the proposed issue of common shares, have not been determined. At this time applicant^{2/}

Applicant's common shares recently have been quoted at 24 $\frac{1}{2}$ bid.

seeks a preliminary order only. It reports that at a later date it will file a supplemental application containing full information with respect to these matters presently undetermined, and will, at the time of such filing, request a final order in this proceeding.

The Commission has considered the application as it is now presented to it and is of the opinion that a preliminary order is warranted, that the money, property, or labor to be procured or paid for by the issue of said shares of stock is reasonably required by applicant for the purposes specified, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

This decision is entered at this time for the purpose of indicating tentative approval of applicant's plan. No authorization is hereby given applicant to issue and sell its shares of stock. Such authorization, if it is given, will be the subject matter of a supplemental order, or orders, in this proceeding.

ORDER

The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary and that a preliminary order should be entered in this proceeding, therefore,

IT IS HEREBY ORDERED as follows:

1. Sierra Pacific Power Company, on and after the effective date hereof and on or before October 31, 1956, may offer to the holders of its outstanding 6% preferred stock 30,500 shares of new preferred stock, of the par value of \$50 each, on the basis of 2.3 shares of new

preferred stock in exchange for each share of 6% preferred stock, under the terms set forth in this proceeding.

2. Sierra Pacific Power Company, on and after the effective date hereof and on or before October 31, 1956, may offer 62,576 additional shares of its common stock to its shareholders, pro rata, and may issue to such shareholders transferable warrants evidencing the rights to subscribe to said 62,576 shares of common stock.

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

Dated at San Francisco, California, this 8th day of May, 1956.

[Signature]
President

[Signature]
[Signature]

[Signature]
[Signature]
Commissioners