

ORIGINAL

Decision No. 53947

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
execute a Fifth Supplemental
Indenture supplemental to its
Indenture of Mortgage and to
issue and sell thereunder
\$3,000,000 principal amount of
a new series of its First
Mortgage Bonds.

Application No. 38460

O P I N I O N

Sierra Pacific Power Company has filed this application for authority (1) to execute a supplemental indenture defining the terms of a new series of First Mortgage Bonds and (2) to issue and sell \$3,000,000 principal amount of said bonds at competitive bidding.

Applicant is undertaking the financing in order to liquidate unsecured short-term notes which represent temporary borrowings for construction purposes. The application shows that presently the short-term notes aggregate \$2,900,000 and that it is expected the amount will increase before the presently proposed bond issue is completed.^{1/}

Information filed with the Commission shows that applicant has been engaged in conducting an extensive construction program and that its investment in its plant and its volume of business have

^{1/} Six hundred thousand dollars (\$600,000) of the outstanding notes, which represent renewals of earlier notes, were authorized by the Commission by Decision No. 52699, dated March 16, 1956, in Application No. 37759.

been increasing rapidly from year to year. A summary statement indicating its growth experience during the last five years is as follows:

	<u>Operating Revenues</u>	<u>Net Income</u>	<u>Utility Plant Additions</u>	<u>Balance Dec. 31</u>
1951	\$5,203,127	\$ 695,038	\$1,823,795	\$21,056,982
1952	5,853,357	871,797	2,232,096	23,010,233
1953	6,589,190	945,405	2,694,601	25,398,991
1954	7,546,519	973,304	2,851,865	27,924,054
1955	8,524,782	1,099,829	3,119,754	30,695,547

The gross investment in utility plant increased to \$32,828,693 on July 31, 1956, according to applicant's July financial report. Applicant estimates that its total 1956 construction program will require the expenditure of approximately \$3,700,000.

It has been applicant's practice to meet its capital requirements, in part, by short-term borrowings and thereafter, from time to time, to replace such temporary borrowings with permanent financing in the form of long-term debt or shares of stock. Its capital ratios, as of July 31, 1956, and as adjusted to give effect to the present financing, are as follows:

	<u>July 31, 1956</u>	<u>Pro forma</u>
Bonds	45%	51%
Debentures	9	8
Preferred stock	16	14
Common stock equity	<u>30</u>	<u>27</u>
Total	<u>100%</u>	<u>100%</u>

The company's financial statement shows that during the last two years its gross income, after depreciation, has been approximately four times its interest charges and that its earnings per share of common stock have increased from \$1.34 in 1954, to \$1.42 in 1955 and to \$1.59 for the 12 months ended July 31, 1956. The statements show that at the end of July, applicant's current assets were \$1,965,512 and its current liabilities \$4,634,599, including however, the short-term construction loans.

From a review of this application, it is clear that applicant will have need for funds from the sale of its bonds to liquidate its short-term borrowings and to finance its construction activities. In view of its financial condition, as reflected by its verified application and its reported results of operations, we are of the opinion we are warranted in entering an order granting its application. The approval indicated herein is for the issue and sale of bonds and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

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 and 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 bonds herein authorized is reasonably required by applicant for the purposes specified herein, and that such purposes, except as otherwise authorized, 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 execute its Fifth Supplemental Indenture supplementing its presently outstanding Indenture of Mortgage, which supplemental indenture shall be substantially in the same form as that filed in this proceeding.
2. Sierra Pacific Power Company may invite the submission of written sealed bids for the purchase of \$3,000,000 aggregate principal amount of its First Mortgage Bonds, such invitation for bids to be published at least five days prior to the date set for the opening of the bids.

3. Sierra Pacific Power Company may issue and sell said \$3,000,000 of bonds at the price offered in said bids which will result in the lowest annual cost of money to applicant.

4. Sierra Pacific Power Company shall use the proceeds from the sale of its bonds, other than accrued interest, for the purpose of paying outstanding short-term bank loans and of financing the cost of its capital expenditures. The accrued interest may be used for said purposes or for general corporate purposes.

5. Immediately upon awarding the contract for the sale of said \$3,000,000 of bonds, Sierra Pacific Power Company shall file with the Commission a written report showing, as to each bid received, the name of the bidder, the price, the interest rate, and the cost of money to applicant based on such price and interest rate.

6. Within 60 days after the sale of the \$3,000,000 of bonds, Sierra Pacific Power Company shall file with the Commission a report showing the date upon which such sale was made, the names of those to whom the bonds were sold, the amount received, and the purposes for which the proceeds were used.

7. The authority herein granted will become effective when Sierra Pacific Power Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,700.

Dated at Los Angeles, California, this 23rd day of October, 1956.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

