

**ORIGINAL**

Decision No. 55123

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
SIERRA PACIFIC POWER COMPANY

for an order (a) authorizing it to issue and sell 57,362 shares of its Common Stock, \$7.50 par value, and (b) to execute a Sixth Supplemental Indenture supplementing its Indenture of Mortgage dated as of December 1, 1940, and to issue and sell thereunder \$3,000,000 principal amount of a new series of its First Mortgage Bonds.  
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Application No. 39915

OPINION

In this application Sierra Pacific Power Company seeks authorization to execute a supplemental indenture, to issue and sell \$3,000,000 in principal amount of first mortgage bonds, and to issue and sell 57,362 shares of its common stock, of the par value of \$7.50 each and of the aggregate par value of \$430,215, for the purpose of paying outstanding indebtedness 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 April 1, 1958, will become due April 1, 1988, and will bear interest at the 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 March 25, 1958, to invite bids for the purchase of its new bonds thereafter, and to open bids on April 23 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 57,362 shares of common stock, applicant proposes to offer them pro rata to the present common shareholders on the basis of one share for each twelve shares of common stock held of record, with an over-subscription privilege subject to allotment. The preemptive 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 preemptive 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.<sup>1/</sup>

The purpose of the proposed financing is to provide applicant with funds to pay outstanding bank loans, which aggregated \$2,950,000 at the time the application was filed and are expected to increase by the time the permanent financing is completed, and to provide the cost, in part, of applicant's 1958 construction program. It estimates it will be called upon to spend approximately \$3,551,000 in 1958, of which \$2,510,000 will be for electric facilities, \$360,000 for gas facilities and \$681,000 for water facilities. It asserts that the expenditures are required to accommodate new customers and to meet increased demands for service.

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<sup>1/</sup>

Applicant's common shares recently have been quoted at 24-3/4 bid, 26-3/4 asked.

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 December 31, 1957, and as adjusted to give effect to the proposed financing, are as follows:

First mortgage bonds	\$14,475,000	46%
Debentures	2,122,000	7
Purchase obligations	132,368	-
Notes payable	2,250,000	7
Preferred stock	4,025,000	13
Common stock equity -		
Common stock	5,162,550	
Premium on stock	1,738,696	
Earned surplus	<u>1,854,804</u>	
Total common stock equity	<u>8,756,050</u>	<u>27</u>
Total	<u>\$31,760,418</u>	<u>100%</u>

According to information filed in this proceeding applicant's reported investment in its utility plant accounts, as of the close of 1957, amounted to \$32,905,576, after deducting the accumulated reserves for depreciation. Its current position, as reflected by its balance sheet, includes current assets of \$1,911,794 and current liabilities of \$4,992,774 including, however, the bank loans which applicant now proposes to pay. For the last three years, applicant's revenues and expenses, and numbers of consumers, have been reported as follows:

	<u>1955</u>	<u>1956</u>	<u>1957</u>
Revenues	\$8,524,782	\$9,292,061	\$10,015,247
Net income	1,099,829	1,495,596	1,523,008
Earnings per share of common	1.42	1.94	1.93
Dividends	1.03	1.15	1.20
Consumers -			
Electric	33,275	35,491	37,583
Gas	5,869	6,626	7,163
Water	15,013	16,029	16,809

Applicant operates electric facilities in California and electric, gas and water facilities in Nevada. About 14% of its electric revenues has been obtained from sales in this state.

A review of this application shows that the company has been experiencing a substantial growth in its business and that it will have need for additional funds to liquidate its obligations and to proceed with its construction program. Accordingly, we are of the opinion, and so find, that the application should be granted, that the money, property or labor to be procured or paid for by the issue of the bonds and stock 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.

The authorization herein granted is for the issue of securities only 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.

ORDER

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, therefore,

IT IS HEREBY ORDERED as follows:

1. Sierra Pacific Power Company, on and after the effective date hereof and on or before July 31, 1958, may issue and sell \$3,000,000 in principal amount of its first mortgage bonds at the price offered in bids, to be received pursuant to the invitation to be published for the purchase of said bonds, which will result in the lowest annual cost of money to applicant as defined in the bidding papers.

2. Sierra Pacific Power Company may execute a sixth supplemental indenture in, or substantially in, the same form as that filed in this proceeding.

3. Sierra Pacific Power Company may issue to the holders of its common stock transferable subscription warrants evidencing rights to subscribe to 57,362 shares, may issue and sell such of said 57,362 shares as are subscribed for pursuant to such subscription rights, and under the additional subscription privileges, under the terms stated in the opinion preceding this order, and may issue and sell to underwriters such of said 57,362 shares as are not so subscribed, at the subscription price to be fixed in accordance with the terms set forth in this application.

4. Sierra Pacific Power Company shall use the proceeds to be received from the issue and sale of the bonds and common stock for the purposes set forth in this application. The accrued interest to be received from the sale of the bonds 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, applicant shall file a written report with the Commission 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 bonds and common stock herein authorized, Sierra Pacific Power Company shall file a report with the Commission showing, as to the stock, the date, or dates, on which it sold its shares under the authorization herein granted, the price and the total amount received, and, as to the bonds, the date on which the bonds were sold, the names of those to whom sold, the amount sold to each and the consideration received, together with three copies of its prospectus.

7. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,575.

Dated at San Francisco, California, this 1st day of April, 1958.

[Signature]  
President

[Signature]

[Signature]

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Commissioners

