

ORIGINAL

Decision No. 59719

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 49,714 shares of its Common
Stock, \$7.50 par value.

Application No. 41929

O P I N I O N

In this application filed on February 8, 1960, Sierra Pacific Power Company requests authority to issue and sell 49,714 shares of its common stock of the par value of \$7.50 each and of the aggregate par value of \$372,855 for the purpose of paying outstanding indebtedness and of financing construction costs.

Applicant, on or about March 16, 1960, proposes to offer the 49,714 shares of common stock to present shareholders on the basis of one share for each 15 shares of common stock held of record, with an over-subscription privilege subject to allotment. The pre-emptive right to subscribe for such shares will be evidenced by transferable subscription warrants. The offer to the shareholders will be at a subscription price per share of not less than 90 per cent of the average of the bid prices of the common stock of the company on the over-the-counter market for the business day next preceding the fixing of said subscription price by applicant's

Board of Directors. ^{1/} The offering of the additional stock will not be underwritten.

The purpose of the proposed offer is to provide applicant with funds to refund, in part, outstanding bank loans which aggregated \$2,200,000 at the time the application was filed and are expected to increase by the time the sale of common stock is completed and to provide the cost, in part, of applicant's 1960 construction program. Applicant estimates that it will be called upon to spend approximately \$4,967,900 in 1960, of which \$3,466,900 will be for electric facilities, \$1,022,400 for water facilities and \$478,600 for gas facilities.

In general, it has been applicant's practice to meet its capital requirements with short-term borrowings and retained earnings and thereafter to repay 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, 1959, are as follows:

First mortgage bonds	\$17,475,000	47.17%
Debentures	2,014,000	5.44
Purchase obligations	82,984	.22
Notes payable	1,900,000	5.13
Preferred stock	4,025,000	10.86
Common stock equity -		
Common stock	\$ 5,592,765	
Premium on stock	2,642,148	
Earned surplus	<u>3,317,778</u>	
	<u>11,552,691</u>	<u>31.18</u>
Total	<u>\$37,049,675</u>	<u>100.00%</u>

^{1/} Recently applicant's common stock was quoted at 38-1/4 bid, 41-1/8 asked on the over-the-counter market.

In its December 31, 1959 balance sheet, applicant reports its investment in utility plant and other physical property at \$39,862,397 after deducting the accumulated reserves for depreciation. It also, as of the same date, reports current assets of \$2,223,917 and current liabilities of \$5,157,081, which latter amount includes \$1,900,000 of bank loans which will be refinanced, in part, through the use of proceeds from the proposed issue of common stock. For the last three years applicant's revenues, net income and earnings per share of common stock outstanding at the end of the period have been reported as follows:

	<u>1957</u>	<u>1958</u>	<u>1959</u>
Revenues	\$10,015,247	\$10,804,505	\$12,203,105
Net income	1,523,008	1,642,296	1,970,815
Earnings per share of common stock	\$ 1.93	\$ 1.94	\$ 2.38

Applicant operates electric facilities in California and electric, gas and water facilities in Nevada.

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 stock herein authorized is reasonably required for the purposes specified herein and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

The authority 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.

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, therefore,

IT IS HEREBY ORDERED as follows:

1. Sierra Pacific Power Company may issue to the holders of its common stock transferable subscription warrants evidencing rights to subscribe to 49,714 shares of its common stock, may issue and sell such of the 49,714 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, at the subscription price to be fixed in accordance with the terms set forth in this application.

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

3. Within 60 days after the sale of the common stock herein authorized, Sierra Pacific Power Company shall file a report with the Commission showing the date, or dates, on which it sold its shares under the authorization herein granted, the price and the total amount received, together with three copies of its prospectus.

4. The authority herein granted will become effective on the date hereof.

Dated at San Francisco, California,
this 29th day of February, 1960.

[Signature] President
[Signature]
[Signature]
[Signature]
Theodore J. Jenner Commissioners