

ORIGINAL

Decision No. 60270

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 \$3,500,000 principal amount
of new Debentures.

Application No. 42269

O P I N I O N

On May 19, 1960, Sierra Pacific Power Company filed this application for authorization to issue and sell \$3,500,000 of debentures.

The company proposes to sell the debentures at competitive bidding, the price and interest rate to be determined by the successful bid. The debentures will be dated as of July 1, 1960, will become due July 1, 1985, and will be redeemable during the 12-months' period beginning July 1, 1960 at the initial public offering price, plus a percentage of their principal amount equal to the coupon rate, and during each 12-months' period thereafter at annually reducing premiums. The debentures will be issued pursuant to an indenture, dated July 1, 1960, with the National Shawmut Bank of Boston, as trustee.

The purpose of the proposed debenture issue is to provide applicant with funds to liquidate outstanding bank loans, which are reported at \$2,400,000 as of March 31, 1960, and to finance the company's construction program. Applicant reports

that its expenditures for construction in 1960 will amount to approximately \$6,888,900, of which \$5,387,900 will be used by the electric department, \$478,600 by the gas department and \$1,022,400 by the water department. In the electric department approximately \$1,495,000 will be spent on line extensions and connections for new customers; \$1,921,000 for peak load generating capacity; \$1,746,200 for distribution and transmission additions and improvements; and \$225,700 for miscellaneous equipment.

Information before the Commission shows that the company has been engaged in a continuing program of expansion to meet increased demands for service and that it has been its practice to finance itself temporarily with short-term borrowings and, from time to time, to refinance by the issue of first mortgage bonds and debentures and by shares of preferred and common stock. Its capital ratios, as of March 31, 1960, are indicated in the following tabulation:

First mortgage bonds	\$17,475,000	48%
Debentures	2,014,000	6
Preferred stock	4,025,000	11
Common stock and surplus	<u>12,563,850</u>	<u>35</u>
Total	<u>\$36,077,850</u>	<u>100%</u>

Applicant's financial statements, which have been presented as exhibits in this proceeding, show that at the end of March, 1960, its current assets amounted to \$3,098,512 and its current liabilities to \$5,677,892, including the short-term bank borrowings of \$2,400,000. A review of the reported results of operations for the 12 months, assuming an interest rate of 5-3/4% on the new debentures, indicates that on a pro forma basis

applicant would have earned its fixed charges slightly more than five times after giving effect to the sale of the new securities and the retirement of the bank loans.

Upon considering this matter, we find and conclude that the proposed issue is for a proper purpose and will not impair applicant's ability to serve the public and that the company's request should be granted. Accordingly, an order will be entered.

The approval herein given is for the issue and sale of debentures 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; that the money, property or labor to be procured or paid for by the issue of the debentures herein authorized is reasonably required 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 invite the submission of sealed bids for the purchase of \$3,500,000 aggregate principal amount of its new series of debentures and may issue

and sell said \$3,500,000 of debentures at the price offered in said bids which will result in the lowest cost of money to applicant as defined in the bidding papers.

2. Sierra Pacific Power Company may execute and deliver an indenture, dated as of July 1, 1960, defining the terms of said debentures.

3. Sierra Pacific Power Company shall use the proceeds from the sale of its debentures for the purposes set forth in this application. The accrued interest may be used for such purposes or for general corporate purposes.

4. Immediately upon awarding the contract for the sale of the \$3,500,000 of debentures, Sierra Pacific Power Company shall file a written report with the Commission which shall show as to each bid received, the name of the bidder, the price and interest rate and the cost of money to applicant based upon such price and interest rate.

5. Sierra Pacific Power Company shall file with the Commission, as soon as available, three copies of its prospectus, and a report showing the date upon which it sold its debentures, the price received, and the name of the purchasers.

6. The authorization 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 \$2,250.

Dated at San Francisco, California,
this 20th day of June, 1960.

Creighton [Signature]
President

[Signature]

[Signature]

[Signature]

Theodore [Signature]
Commissioners

