

ORIGINAL

Decision No. 61719

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 reclassify, change and increase 1,000,000 authorized shares of Common Stock of the par value of \$7.50 per share into 2,500,000 shares of Common Stock of the par value of \$3.75 per share and to reclassify and change the outstanding 795,416 shares of said Common Stock of the par value of \$7.50 per share into 1,590,832 shares of Common Stock of the par value of \$3.75 per share.

Application No. 43185
Filed February 28, 1961

O P I N I O N

In this proceeding, Sierra Pacific Power Company seeks authorization to reclassify its shares of common stock so as to effect a stock split on a two-for-one basis.

Applicant, a Maine corporation, owns and operates public utility electric properties in California and public utility electric, gas and water properties in Nevada, the greater portion of its revenues arising from its out-of-state operations. It has financed itself primarily through the issue of first mortgage bonds, debentures and capital stock, including surplus, and as of December 31, 1960 reports its capital ratios as follows:

Long-term debt		\$22,968,092	56%
Preferred stock		4,025,000	10
Common stock equity -			
Common stock	\$ 5,965,620		
Premium on stock	3,934,712		
Earned surplus	4,002,902		
Total common stock equity		<u>13,903,234</u>	<u>34</u>
Total		<u>\$40,896,326</u>	<u>100%</u>

The outstanding common stock consists of 795,416 shares of a par value of \$7.50 each and with a book value, on the basis of the foregoing figures, of approximately \$17.50 each. During the last five years, according to the company's financial reports, the earnings on the average number of shares and the dividends paid have been as follows:

<u>Year</u>	<u>Earnings</u>	<u>Dividends</u>
1956	\$1.97	\$1.18
1957	1.93	1.20
1958	1.99	1.40
1959	2.38	1.40
1960	2.52	1.60

It has been applicant's practice from time to time to make offerings of its common shares. Its management has now concluded that a split up of such shares on a two-for-one basis will broaden the market and result in a wider distribution among a larger number of shareholders and that the lower market level, which would be established by a stock split, would more readily attract new investors and thus facilitate future equity financing. Applicant's shares are not listed but are traded over the counter, recent quotations being substantially in excess of the par value and the book value. ^{1/}

^{1/} On March 1, 1961 applicant's common shares were quoted at 59 bid and 63 asked.

To accomplish the proposed stock split, applicant is taking steps to amend its Certificate of Organization so as to reclassify, change and increase the presently authorized 1,000,000 shares of the par value of \$7.50 a share into 2,500,000 shares of the par value of \$3.75 a share and to reclassify and change the 795,416 shares presently outstanding into 1,590,832 shares of the lower par value. It is not contemplated that any of the presently outstanding stock certificates will be called for exchange. Upon the proposed amendment and reclassification becoming effective there will be issued to the present holders of the 795,416 outstanding shares of common stock new certificates for a like number of shares of common stock of the par value of \$3.75 each, and thereupon the existing certificates for 795,416 shares of the par value of \$7.50 each will be deemed to represent a like number of shares of common stock of the par value of \$3.75 each. The split up, of course, will not result in any change in the stated capital or surplus accounts.

From a review of the application, we are of the opinion, and so find and conclude, that the proposed action will not be adverse to the public interest, 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 purpose specified herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. An order will be entered granting the application.

The authorization herein given is for the issue of shares of stock 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,

IT IS ORDERED that -

1. Sierra Pacific Power Company, on or after the effective date hereof and on or before September 30, 1961, may reclassify, change and increase 1,000,000 authorized shares of its common stock of the par value of \$7.50 each into 2,500,000 shares of common stock of the par value of \$3.75 each and may reclassify and change 795,416 shares of said common stock now outstanding of the par value of \$7.50 each into 1,590,832 shares of the par value of \$3.75 each and may issue the additional shares of common stock to effectuate the reclassification and stock split of the outstanding shares.

2. Sierra Pacific Power Company shall file with the Commission, on or before October 31, 1961, a certified copy of its Certificate of Organization as amended to effect the reclassification of its common shares.

3. The authorization herein granted shall become effective on the date hereof.

Dated at San Francisco, California,
this 23rd day of March, 1961.

George W. Page
 President
E. R. ...
J. ...
George L. ...

Commissioners

Commissioner Frederick B. Holoboff, being necessarily absent, did not participate in the disposition of this proceeding.