

ORIGINAL

Decision No. 61906

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
(a) to issue and sell 132,570
additional shares of its Common
Stock, \$3.75 par value, and
(b) to execute a Seventh
Supplemental Indenture supple-
mental to its Indenture of
Mortgage and to issue and sell
thereunder \$6,500,000 principal
amount of a new series of its
First Mortgage Bonds.

Application No. 43304

O P I N I O N

In this application, filed on April 11, 1961, Sierra Pacific Power Company requests authority to issue and sell 132,570 shares of its Common Stock of the par value of \$3.75 each, and of the aggregate par value of \$497,137.50; to execute a supplemental indenture; and to issue and sell \$6,500,000 principal amount of a new series of its First Mortgage Bonds for the purpose of paying outstanding indebtedness and financing construction costs.

Applicant proposes to offer the 132,570 shares of common stock for sale to present shareholders on or about May 2, 1961, on the basis of one share for each 12 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 the subscription price per share of not less than 90% of the average of the bid prices of the common stock of applicant in 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 shares of common stock will not be underwritten.

The bond issue proposed by applicant is to be a new series and will be sold at competitive bidding, the price and interest rate to be determined by the successful bid. The bonds will be dated as of May 1, 1961, will become due May 1, 1991 and will be redeemable during the 12-months' period beginning May 1, 1961, at the initial public offering price plus a percentage of their principal amount equal to the coupon rate and during each 12-month period thereafter at annually reducing premiums.

The purpose of the proposed security offerings is to provide applicant with funds to pay outstanding bank loans, which aggregated \$3,420,000 at the time the application was filed and are expected to increase by the time the sales of

^{1/} Applicant's common shares recently have been quoted in the over-the-counter market at \$30-3/4 bid, \$33 asked.

the common stock and bonds are completed, and to provide the cost, in part, of applicant's 1961 construction program. Applicant estimates that it will be called upon to spend approximately \$9,206,400 in 1961, of which \$6,917,200 will be for electric facilities, \$1,863,500 for water facilities and \$425,700 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, 1960, are as follows:

First mortgage bonds		\$17,475,000	39.84%
Debentures		5,508,000	12.56
Purchase obligations		66,184	.15
Notes payable		2,890,000	6.59
Preferred stock		4,025,000	9.17
Common stock equity -			
Common stock	\$ 5,965,620		
Premium on stock	3,934,712		
Earned surplus	4,002,902	<u>13,903,234</u>	<u>31.69</u>
Total		<u>\$43,867,418</u>	<u>100.00%</u>

In its December 31, 1960 balance sheet, applicant reports its investment in utility plant and other physical property at \$46,132,345 after deducting the accumulated reserves for depreciation. It also, as of the same date, reports current assets of \$2,884,681 and current liabilities of \$5,859,526, which latter amount includes \$2,890,000 of bank

loans which will be refinanced through the use of proceeds from the proposed issue and sale of common stock and bonds. For the last three years applicant's revenues, net income and earnings per share of common stock, based on the average number of shares outstanding in each year, have been reported as follows:

	<u>1958</u>	<u>1959</u>	<u>1960</u>
Revenues	\$10,804,505	\$12,203,105	\$13,999,078
Net income	1,672,373	1,970,815	2,168,126
Earnings per share of common stock	\$1.02	\$1.19	\$1.26

Based on a review of reported results of operations for the 12 months ended December 31, 1960, and assuming an interest rate of 4-3/4% on the new bonds, it appears that on a pro forma basis applicant would have earned its fixed charges about 3.91 times after giving effect to the sale of the new series of bonds and the retirement of the bank loans.

Upon reviewing this application we find and conclude (1) that applicant has need for additional funds to improve its current financial position and to meet construction costs; (2) that the proposed issues of securities are for proper purposes and will not impair applicant's ability to serve the public; and (3) that the money, property or labor to be procured or paid for by the issue of the bonds and the shares of common stock herein authorized is

reasonably required for the purposes specified herein, which purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings, we will enter our order granting the application. The authorization thus granted is for the issue and sale of bonds and shares of common 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 and that the application should be granted, therefore,

IT IS HEREBY ORDERED that -

1. Sierra Pacific Power Company may issue to the holders of its common stock transferable subscription warrants evidencing rights to subscribe to 132,570 shares of its common stock and may issue and sell such of the 132,570 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, on and after the effective date hereof and on or before October 31, 1961, may invite the submission of sealed bids for the purchase of \$6,500,000 aggregate principal amount of a new series of its First Mortgage Bonds and may issue and sell said \$6,500,000 of bonds at the price offered in said bids which will result in the lowest cost of money to applicant as defined in the bidding papers.

3. Sierra Pacific Power Company may execute and deliver a Seventh Supplemental Indenture dated as of May 1, 1961, defining the terms of said bonds, said supplemental indenture to be in, or substantially in, the same form as that on file in this proceeding.

4. Sierra Pacific Power Company shall use the proceeds from the sale of its shares of common stock and its bonds for the purposes set forth in this application. The accrued interest to be received from the sale of the bonds may be used for such purposes or for general corporate purposes.

5. Immediately upon awarding the contract for the sale of the \$6,500,000 of bonds, 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.

6. Within sixty 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 and, in addition, it shall file, as soon as available, a report showing the date upon which it sold its bonds, the price received and the names of the purchasers.

7. Sierra Pacific Power Company shall file with the Commission as soon as available three copies of its prospectus.

8. 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 \$3,750.

Dated at San Francisco,
California, this 10th day of MAY, 1961.

Greene W. Perry
President
W. L. Mitchell
E. Lynn Fox
George G. Hoover
Fredrick B. Hallock

COMMISSION
STATE OF CALIFORNIA
21210
MAY 1 - 1961
BY