

**ORIGINAL**

Decision No. 63761

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 execute an Eighth Supplemental Indenture supplemental to its Indenture of Mortgage and to issue and sell thereunder \$5,000,000 principal amount of a new series of its First Mortgage Bonds.

Application No. 44475

O P I N I O N

On May 22, 1962, Sierra Pacific Power Company filed this application for authorization to execute a supplemental indenture and to issue and sell \$5,000,000 principal amount of its first mortgage bonds.

Heretofore, applicant has executed a first mortgage indenture and seven subsequent indentures, supplemental thereto, and, under the terms of such instruments, has issued first mortgage bonds of several series, of which \$23,975,000 in principal amount were outstanding as of February 28, 1962. At this time, applicant proposes to execute an Eighth Supplemental Indenture, defining the terms of a new series of bonds, and to issue and sell \$5,000,000 in principal amount of such

new series of bonds at competitive bidding, the successful bid to determine the interest rate as well as the price. It appears that the terms of the proposed bonds will not include a restricted redemption provision.

The purpose of the financing is to enable applicant to discharge short-term bank borrowings, to reimburse it for construction expenditures heretofore made, and to finance, in part, its construction program now in progress. The application shows that the company estimates its construction expenditures will aggregate \$11,659,900 in 1962, that it has borrowed \$1,600,000 on short-term bank loans up to April 30, 1962, and that it expects to increase its borrowings to \$5,000,000, by the time the bond money becomes available, in order to provide interim financing.

Financial statements filed with the application show, among other things, current assets as of February 28, 1962, of \$3,735,661 and current liabilities of \$3,913,733, not including any short-term bank borrowings. The statements further show, for the twelve months ended February 28, net income of \$2,190,960, before dividend payments, and charges to income of \$1,141,721 for depreciation and \$324,406 for deferred taxes, the three items aggregating \$3,657,087. A pro forma calculation indicates that for the twelve-months' period the earnings available for fixed charges were 3.28 times the fixed charges on applicant's long-term debt, including the proposed bond issue.

Upon considering this matter, it clearly appears to us, and we so find and conclude, that applicant's internal funds will not be sufficient to enable the company to liquidate its obligations, that it will have need for funds from external sources in order to improve its cash position and to proceed with its construction program and that an order is warranted authorizing the issue and sale of bonds at this time.

The approval indicated herein is for the issue and sale of bonds 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 has considered the above-entitled matter, has determined that a public hearing is not necessary, and is of the opinion that the application should be granted, that the money, property or labor to be procured or paid for by the issue of the bonds 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; therefore,

IT IS ORDERED as follows:

1. Sierra Pacific Power Company is authorized to invite the submission of sealed, written bids for the purchase of \$5,000,000 aggregate principal amount of its First Mortgage Bonds and to sell said bonds to the bidder, or bidders, offering the lowest annual cost of money to applicant as defined in the bidding papers.

2. Sierra Pacific Power Company may execute and deliver its Eighth Supplemental Indenture, said indenture to be substantially in the same form as that filed in this proceeding.

3. Sierra Pacific Power Company shall use the proceeds from the sale of its bonds 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 \$5,000,000 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.

5. Sierra Pacific Power Company shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order and shall also file three copies of its prospectus.

6. The authority 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 \$3,000.

Dated at San Francisco, California,  
this 4th day of JUNE, 1962.

Robert W. Reed  
President

C. J. Fox

George J. Grover

Frederick B. Hoffmann  
Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

