

Decision No. _____65623

A.45490

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 172,341 additional shares of its Common Stock, \$3.75 par value, and \$8,000,000 principal amount of its _____% Debentures due July 1, 1988.

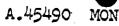
Application No. 45490 Filed June 4, 1963

$\underline{O P I N I O N}$

In this application, Sierra Pacific Power Company requests authority to issue and sell 172,341 shares of its Common Stock of the par value of \$3.75 each, and of the aggregate par value of \$646,278.75; to execute an indenture; and to issue and sell \$8,000,000 principal amount of debentures.

Applicant proposes to offer the 172,341 shares of common stock for sale to common shareholders of record on July 9, 1963, on the basis of one share for each ten 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%

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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. The offering of the additional shares of common stock will not be underwritten.

The debentures proposed by applicant will constitute a new issue and will be sold at competitive bidding, the price and interest rate to be determined by the successful bid. The debentures will be dated as of July 1, 1963, will become due July 1, 1988, and will be redeemable during the 12-months' period beginning July 1, 1963, at the initial public offering price plus an amount equal to the annual coupon rate, and during each 12-month period thereafter at annually reducing premiums, plus accrued interest.

The purpose of the proposed financing is to provide applicant with funds to repay bank loans, to redeem an outstanding issue of \$3,340,000 of 5-5/8% debentures, to reimburse the treasury, and to meet, in part, the estimated costs of construction work. Applicant reports that it has \$10,200,000 of short-term bank loans outstanding, which amount may be

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Applicant's common shares recently have been quoted in the over-the-counter market at \$35 bid, \$37-1/8 asked.

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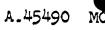
increased before the debenture and stock moneys become available, and that its construction program includes estimated expenditures during 1963 of \$14,353,300. The debentures to be redeemed were issued in July, 1960 and are callable at 106.4% of the principal amount, plus accrued interest.

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 March 31, 1963, are as follows:

First mortgage bonds	\$28,975,000	44%
Debentures	5,323,000	8
Notes payable	7,615,000	12
Preferred stock	4,025,000	6
Common stock and surplus	18,749,918	<u>30</u>
Total	\$64,687,918	100%

In its March 31, 1963 balance sheet, applicant reports its investment in utility plant and other physical property at \$67,971,751, after deducting the accumulated reserves for depreciation. It also, as of the same date, reports current assets of \$3,793,481 and current liabilities of \$3,231,554, excluding the short-term bank loans, which will be refinanced through the use of proceeds from the proposed issue and sale of common stock and debentures, and current

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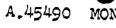


maturities of outstanding debentures. For the last two calendar years and the 12 months ended March 31, 1963, applicant's revenues, net income and earnings and dividends per share of common stock, based on the average number of shares outstanding in each year, have been reported as follows:

	Twelve Months Ended		
	Dec. 31,	Dec. 31,	March 31,
	1961	1962	1963
Operating revenues Net income available	\$15,162,207	\$16,604,899	\$16,816,330
for common stock	1,967,036	1,906,760	1,860,488
Earnings per share	\$1.18	\$1,11	\$1.08
Dividends	0.86	0,88	0.88

Upon reviewing this application we find and conclude that applicant has need for additional funds from external sources for the purposes indicated in the application; that the money, property or labor to be procured or paid for by the issue of the debentures and the shares of common stock 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. A public hearing is not necessary.

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 debentures 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.



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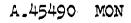
IT IS ORDERED that:

1. Sierra Pacific Power Company may issue to the holders of its common stock transferable subscription warrants evidencing rights to subscribe to 172,341 shares of its common stock and may issue and sell such of the 172,341 shares as are subscribed for pursuant to such subscription rights and under the additional subscription privileges, at the subscription price to be fixed in accordance with the terms set forth in this application.

2. Sierra Pacific Power Company may invite the submission of sealed bids for the purchase of \$8,000,000 principal amount of debentures, such invitation for bids to be published at least five days prior to the date set for opening the bids, and may issue and sell said \$8,000,000 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.

3. Sierra Pacific Power Company may execute and deliver an indenture, dated as of July 1, 1963, defining the terms of the debentures, said indenture to be in, or substantially in, the same form as that filed in this proceeding.

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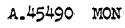
4. Sierra Pacific Power Company shall use the proceeds from the sale of its shares of common stock and its debentures for the purposes set forth in this application. The accrued interest to be received from the sale of the debentures may be used for such purposes or for general corporate purposes.

5. Immediately upon awarding the contract for the sale of the \$8,000,000 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.

6. Within six months after the sale of the debentures and common stock herein authorized, Sierra Pacific Power Company shall file a report, in lieu of a General Order No. 24-A report, or reports, showing the date, or dates, on which it sold its debentures and stock under the authorization herein granted, the price and the total amount received, the purposes for which the proceeds were used, and the journal entries used to record on the books redemption of the 5-5/8% debentures.

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

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8. The authorization herein granted shall become effective when Sierra Pacific Power Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$2,830.

	Dated at	Sen Francisco	, California,
this _	2nd day of	JULY	, 1963.
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