

ORIGINAL

Decision No. 67207

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 sell and issue pursuant to competitive bidding \$7,000,000 principal amount of First Mortgage Bonds _____ % Series due 1994;
(b) to execute a Ninth Supplemental Indenture to be dated as of June 1, 1964, Supplementing the Indenture of Mortgage dated as of December 1, 1940; and (c) to issue and sell by competitive bidding 100,000 shares of its Series B \$ _____ Dividend Preferred Stock, of a par value of \$50 each.

Application No. 46587
Filed April 24, 1964

O P I N I O N

In this application, Sierra Pacific Power Company requests authority to execute and deliver a supplemental indenture, and to issue and sell, at competitive bidding, \$7,000,000 principal amount of first mortgage bonds and 100,000 shares of \$50 par value preferred stock.

Applicant is a corporation organized under the laws of the State of Maine. It operates public utility electric, gas and water systems in the State of Nevada, and electric systems in a portion of the State of California extending from Portola south to Markleeville, including Squaw Valley and the Lake Tahoe area. For the year 1963, it reports total

operating revenues of \$19,828,943, of which it apportions \$2,702,126 to electric operating revenues derived from California operations. The company reports that the proposed stock and bond issues are subject to the jurisdiction of the Federal Power Commission and of the Securities and Exchange Commission. By this application applicant seeks authority from this Commission under Sections 816, 818 and 851 of the Public Utilities Code of the State of California to engage in the proposed financing.

The company proposes to invite bids for the purchase of the \$7,000,000 of bonds and the 100,000 shares of preferred stock, the winning bids to determine the interest and dividend rates, respectively. The bonds will be dated as of June 1, 1964, and will become due on June 1, 1994. The 100,000 shares of \$50 par value preferred stock will constitute a new series to be designated as Series B. The initial redemption prices will be computed on the basis of the public offering prices plus the annual coupon rate for the bonds and the annual dividend rate per share for the preferred stock.

The purpose of the proposed financing is to provide applicant with funds to repay bank loans, to reimburse its treasury and to finance, in part, its 1964 construction program. The company reports that it had \$6,800,000 of bank loans outstanding as of February 29, 1964, which it may increase so as to carry on its construction program before consummating the new financing. Applicant's estimated construction program for 1964 amounts to \$13,500,000.

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, other evidences of indebtedness, and preferred and common stock. Its capital ratios, as of February 29, 1964, and as adjusted to give effect to the proposed financing, are as follows:

	<u>Feb. 29, 1964</u>	<u>Adjusted</u>
First mortgage bonds	39%	45%
Debentures	13	12
Notes payable	9	-
Total debt	<u>61</u>	<u>57</u>
Preferred stock	5	11
Common stock and surplus	<u>34</u>	<u>32</u>
Grand total	<u>100%</u>	<u>100%</u>

Applicant's balance sheet, as of February 29, 1964, shows current assets in the total amount of \$4,317,233 and current liabilities of \$10,672,485, including the \$6,800,000 of short-term notes.

The Commission has considered this matter and finds that:

(1) the proposed bond and preferred stock issues are for proper purposes; (2) applicant has need for additional funds from external sources in order to improve its current financial position and to meet construction costs; (3) the money, property or labor to be procured or paid for by the bond and preferred stock issues herein authorized is reasonably required for the purposes specified

herein; and (4) such purposes, except as otherwise authorized for bonds, 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 conclude that the application should be granted. The authorization thus granted is for the execution and delivery of a supplemental indenture and the issue and sale of bonds and preferred stock and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Sierra Pacific Power Company may invite the submission of written sealed bids for the purchase of \$7,000,000 in aggregate principal amount of its First Mortgage Bonds _____% Series due 1994, and 100,000 shares of its Series B \$_____ Dividend Preferred Stock, of a par value of \$50 each, such invitation for bids to be published at least five days prior to the date set for the opening of the bids.

2. Sierra Pacific Power Company may execute and deliver a Ninth Supplemental Indenture in the same form, or in substantially the same form, as that filed in this proceeding on May 1, 1964, and may issue and sell said \$7,000,000 of bonds and 100,000 shares.

of preferred stock at the respective prices offered in said bids which will result in the lowest annual costs of money calculated as set forth in the invitation for bids.

3. Sierra Pacific Power Company shall use the proceeds, exclusive of accrued interest, from the sale of said bonds and preferred stock 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.

4. Immediately upon awarding the contracts for the sale of said bonds and preferred stock, Sierra Pacific Power Company shall file a written report with the Commission showing, as to each bid received, the name of the bidder, the price, the interest and dividend rates and the cost of money to applicant based upon such price and interest or dividend rate.

5. Within thirty days after the issue and sale of the bonds and preferred stock herein authorized, Sierra Pacific Power Company shall file with the Commission three copies of its prospectus relating to each issue.

6. This order 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 \$4,000.

Dated at San Francisco, California,
this 19th day of MAY, 1964.

William C. Blum
President
George L. Trover
Fredrick B. Holhoff
Commissioners

