

**ORIGINAL**

Decision No. 69111

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of )  
SIERRA PACIFIC POWER COMPANY )  
For Authority to Issue and Sell )  
Its Securities )

Application No. 47559  
Filed May 7, 1965

O P I N I O N

Sierra Pacific Power Company has filed this application requesting authorization from the Commission to issue and sell, pursuant to the terms of an Employee Stock Purchase Plan, not to exceed 100,000 shares of its \$3.75 par value common stock having an aggregate par value of \$375,000.

The preliminary prospectus, attached to the application as part of Exhibit A, discloses that an Employee Stock Purchase Plan contemplated to become effective on June 1, 1965, was created by action of the company's Board of Directors on February 16, 1965, and was approved by the stockholders on March 22, 1965. Applicant asserts that the proposal is designed to encourage its employees to participate in stock ownership in the company, thereby increasing their work performance incentive, improving their interest in the continuing success of the business, and fostering their desire to remain in its employment.

Under general provisions of the plan all employees are eligible to participate therein, except those (a) who at the beginning date of the payment period had not completed six months service, (b) whose customary employment is twenty hours or less per week, and (c) whose customary employment is for not more than five months per calendar year. Eligible employees may participate through regular payroll deductions amounting to not exceeding fifteen percent of base pay and may use such deductions to purchase applicant's common stock twice each year. At the beginning of designated six-month periods during which payroll deductions are accumulated, each participant will be granted an option to purchase common stock directly from applicant on the last day of such period. The option price shall be ninety percent of the average bid price on the over-the-counter market as quoted by The National Daily Quotation Service, but in no event less than eighty-five percent of the fair market value on the date each option is granted, and said option price is subject to appropriate modification if the stock is ever listed on a stock exchange. In the event the market price at the date of purchase is less than the option price, the company will purchase the stock in the open market and will pay any brokerage commissions related thereto. Applicant reports that as of April 20, 1965, the bid and asked prices of its stock were \$25-3/4 and \$26-1/8, respectively.

The information in said Exhibit A indicates that each eligible employee who continues to be a participant on the last day of a payment period shall be deemed to have exercised his option, and customary conditions are imposed regarding nontransferability, termination of employment and adjustment upon changes in capitalization. It appears that the plan complies with the requirements of Section 423 of the Internal Revenue Code so that tax benefits may accrue to its participants.

The application shows that the company presently has 743 employees with a total pay of \$5,640,733 during the twelve months ended March 31, 1965, who would be eligible to take part in the Employee Stock Purchase Plan. In this proceeding, the company seeks permission to issue and sell pursuant to the terms of the plan 100,000 shares of its \$3.75 par value common stock, which it anticipates may be purchased by participants during the next several years.

Applicant proposes to use the proceeds from such stock to reimburse its treasury for capital expenditures, to finance the cost of plant improvements, or to redeem obligations incurred for such improvements. The company estimates that its construction costs in the years 1965 and 1966 will total \$28,040,200.

The Commission has considered this matter and finds that: (1) this proceeding is outside the scope of the competitive bidding rule requirement set forth in Decision No. 38614, dated January 15, 1946, as amended by Decision No. 49941, dated April 20, 1954; (2) the proposed issue of common stock under the Employee Stock Purchase Plan would not be adverse to the public interest; (3) the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purposes specified herein; and (4) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings we conclude that the application should be granted. A public hearing is not necessary.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return applicant should be allowed to earn on its investment in plant and that the authorization herein given is not to be construed as a finding of the value of applicant's stock or properties nor 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, from time to time, may issue and sell not to exceed 100,000 shares of its common stock, or such number of shares as may be required upon adjustments in capitalization, under and pursuant to the terms of its Employee Stock Purchase Plan, a copy of which is attached to the application as part of Exhibit A.

2. Sierra Pacific Power Company shall use the proceeds from the sale of such shares for the purposes specified in this proceeding.

3. Sierra Pacific Power Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

4. The effective date of this order is the date hereof.

Dated at San Francisco, California, this 25th day of May, 1965.

*Peter J. Hild* President  
*George T. Crover*  
*August*

Commissioners

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

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