

**ORIGINAL**

Decision No. 69611

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Application of )  
 SIERRA PACIFIC POWER COMPANY for )  
 an order authorizing it (a) to )  
 sell and issue pursuant to )  
 competitive bidding \$10,000,000 )  
 principal amount of First )  
 Mortgage Bonds \_\_\_\_\_%, Series due )  
 1995; (b) to execute an Eleventh )  
 Supplemental Indenture as of )  
 October 1, 1965 supplementing the )  
 Indenture of Mortgage dated as of )  
 December 1, 1940; and (c) to )  
 issue and sell 189,575 shares of )  
 its Common Stock of a par value )  
 of \$3.75 each share under )  
 preemptive rights or under )  
 contract with underwriters. )

Application No. 47785  
Filed August 2, 1965

Richard G. Campbell and Graham James & Rolph, by  
Boris H. Lakusta, for applicant; and  
Sidney J. Webb, for the Commission staff.

O P I N I O N

This is an application for an order of the Commission authorizing Sierra Pacific Power Company, a Nevada corporation, to execute and deliver a supplemental indenture, and to issue and sell \$10,000,000 aggregate principal amount of bonds and 189,575 shares of common stock.

After due notice, a public hearing in this matter was held before Examiner Donovan in San Francisco, on August 13, 1965, at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

Applicant was organized on or about January 15, 1965, as Sierra Nevada Power Company, a Nevada corporation. By Decision No. 68549, dated February 9, 1965, in Application No. 47272, the Commission authorized Sierra Pacific Power Company, a Maine corporation, to merge with and into applicant, the latter continuing as the surviving corporation under the name of Sierra Pacific Power Company. Said merger was consummated on or about March 31, 1965. The company is engaged in public utility electric operations in the State of California and in public utility electric, gas and water operations in the State of Nevada. For the year 1964, Sierra Pacific Power Company, a Maine corporation, reported total operating revenues of \$23,293,370, of which it apportioned \$3,076,593 to electric operating revenues derived from California operations.

Sierra Pacific Power Company, a Nevada corporation, proposes to invite bids for the purchase of \$10,000,000 aggregate principal amount of its First Mortgage Bonds, due 1995, the winning bid to determine the interest rate. The bonds will mature October 1, 1995, and will be secured by an Indenture of Mortgage dated as of December 1, 1940, as supplemented and modified by ten existing supplemental indentures and a proposed Eleventh Supplemental Indenture.

In addition, applicant proposes to offer 189,575 shares of its \$3.75 par value common stock for sale to common shareholders of record as of September 21, 1965, on the basis of one share for each twenty shares of common stock held of

record, with an over-subscription privilege subject to allotment. The pre-emptive rights to subscribe for such shares will be evidenced by transferable subscription warrants. The offer to shareholders will be at the subscription price per share of not less than 90 percent of the average bid price 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 latest available quotation of the company's common shares in the over-the-counter market at the time of the hearing was \$23-3/8 bid and \$23-5/8 asked. In order to ensure the sale of the entire 189,575 shares of common stock, the company has negotiated with Stone & Webster Securities Corporation and Dean Witter & Co., as underwriters, to purchase any unsubscribed shares of stock at not less than the subscription price. The underwriting agreement further will provide that applicant will share in that portion of the proceeds which may be derived from resales by the underwriters at prices in excess of the subscription price.

The net proceeds to be derived from the proposed stock and bond issues, after payment of expenses pertaining thereto, will be applied primarily toward the repayment of short-term bank loans obtained, or to be obtained, to finance, in part, applicant's construction program. In addition, the company will use a portion of said proceeds to reimburse its treasury for previously incurred construction expenditures and to finance, in part, its 1965 construction program. Applicant reports that its outstanding bank loans aggregated

\$12,000,000 at the time of the hearing and are expected to amount to \$13,500,000 at the time of the sales of said common stock and bonds. The approximate amounts which applicant estimates it will expend on its construction program for the year 1965, segregated by department, are as follows:

Electric Department -		
Generating equipment	\$2,666,000	
Line extensions and connections for new customers	2,344,400	
Other distribution and trans- mission improvements and additions	2,443,900	
Miscellaneous plant and equipment	<u>1,945,700</u>	
Total - Electric Department		\$ 9,900,000
Gas Department		1,412,300
Water Department		<u>2,477,400</u>
Grand total		<u>\$13,790,200</u>

Construction expenditures attributable to the Gas and Water Departments will be principally for improvements to the distribution systems, and line extensions and services required to meet increased demands for service.

Applicant's capital ratios as of June 30, 1965, and as adjusted to give effect to the proposed financing according to Exhibit No. 11 filed in this proceeding, which exhibit assumes that the company will realize \$4,095,000 from the common stock, are as follows:

	June 30, 1965	Pro Forma
Long-term debt	49.0%	57.9%
Bank loans	11.8	-
Preferred stock	9.7	9.4
Common stock equity	<u>29.5</u>	<u>32.7</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The utility requests exemption from the requirements of the competitive bidding rule with respect to the common stock. The Commission's competitive bidding rule exempts securities offered to existing security holders pursuant to any pre-emptive right. Applicant believes that the greater part, if not all, of said stock will be purchased pursuant to pre-emptive rights and that there would be little interest by underwriters in submitting competitive bids under prevailing circumstances. It is contemplated that the stock will be purchased by the underwriters at not less than the subscription price and that a standby fee of not more than ten cents per share, or \$18,957.50, will be charged by the underwriters. The record shows that similar stock offerings in the past by applicant's predecessor have been over-subscribed, but that presently prevailing uncertain market conditions justify an underwritten offering as proposed in this proceeding.

The Commission has considered this matter and finds that: (1) the proposed stock and bond issues are for proper purposes; (2) applicant has need for funds from external sources for the purposes set forth in this proceeding; (3) applicant's plan of selling the proposed issue of common stock through a negotiated underwritten rights offering rather than by competitive bidding will not be adverse to the public interest; (4) the proposed Eleventh Supplemental Indenture would not be adverse to the public interest; (5) the money, property or labor to be procured or paid for by the issue of the stock and bonds herein authorized is reasonably required

for the purposes specified herein; and (6) such purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application should be granted. 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, a Nevada corporation, may execute and deliver an Eleventh Supplemental Indenture dated as of October 1, 1965, in the same form, or in substantially the same form, as that filed in this proceeding as Exhibit No. 2.
2. Sierra Pacific Power Company, a Nevada corporation, may invite the submission of written sealed bids for the purchase of \$10,000,000 aggregate principal amount of its First Mortgage

Bonds, due 1995, such invitation for bids to be published at least six days prior to the date set for the opening of the bids.

3. Sierra Pacific Power Company, a Nevada corporation, may issue and sell said bonds in the aggregate principal amount of \$10,000,000 at the price offered in said bids which will result in the lowest cost of money to applicant determined as set forth in Exhibit C, attached to the application.

4. The issue and sale by Sierra Pacific Power Company, a Nevada corporation, of 189,575 shares of its \$3.75 par value common stock are hereby exempted from the Commission's competitive bidding rule which is set forth in Decision No. 38614, dated January 15, 1946, as amended by Decision No. 49941, dated April 20, 1954.

5. On or after the effective date hereof and on or before December 31, 1965, Sierra Pacific Power Company, a Nevada corporation, may issue to the holders of its common stock transferable subscription warrants evidencing rights to subscribe to 189,575 additional shares of applicant's common stock, and may issue and sell such of said 189,575 shares as are subscribed for pursuant to the subscription rights and additional subscription privilege, at a price to be fixed in accordance with the formula set forth in this proceeding.

6. Sierra Pacific Power Company, a Nevada corporation, on or before December 31, 1965, may issue and sell to underwriters such of said 189,575 shares of common stock as have not been subscribed and paid for pursuant to the offering to its shareholders, the unsubscribed shares to be sold at not less than the subscription price and at a negotiated standby underwriting charge and resale percentage consistent with the record in this proceeding.

7. Sierra Pacific Power Company, a Nevada corporation, shall use the proceeds from the sale of said common stock and bonds, other than accrued interest, for the purposes set forth in this proceeding. The accrued interest to be received from the sale of the bonds may be used for such purposes or for general corporate purposes.

8. Immediately upon awarding the contract for the sale of the \$10,000,000 aggregate principal amount of bonds, Sierra Pacific Power Company, a Nevada corporation, 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.

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

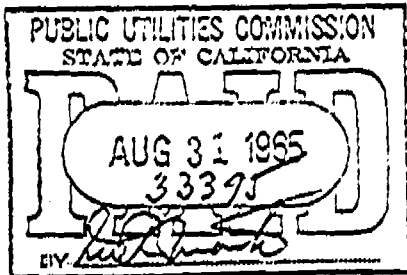


10. Within sixty days after issuing the common stock herein authorized, Sierra Pacific Power Company, a Nevada corporation, shall file with the Commission a report showing the number of holders of its common stock on the record date, the number of shares subscribed by shareholders, by others upon purchase of rights to subscribe and by underwriters. Such report shall be filed in lieu of a report, or reports, under General Order No. 24-B.

11. Within six months after issuing the stock herein authorized, Sierra Pacific Power Company, a Nevada corporation, shall file with the Commission a report showing the expenses incurred in connection with the issue and sale of said 189,575 shares of common stock and the account, or accounts, to which such expenses were charged.

12. This order shall become effective when Sierra Pacific Power Company, a Nevada corporation, has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$5,500.

Dated at San Francisco, California, this 21 day of AUGUST, 1965.



[Signature] President  
George F. Crover  
[Signature]  
[Signature] Commissioners

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