

**ORIGINAL**

Decision No. 72484

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 \$15,000,000 )  
principal amount of First Mortgage )  
Bonds \_\_\_\_\_%, Series due 1997; )  
(b) to execute a Twelfth )  
Supplemental Indenture as of )  
July 1, 1967, supplementing the )  
Indenture of Mortgage dated )  
as December 1, 1940; and (c) to )  
issue and sell approximately )  
266,000 shares of its Common )  
Stock at a par value of \$3.75 )  
each share under preemptive )  
rights or under contract with )  
underwriters. )

Application No. 49203  
Filed March 14, 1967

Richard G. Campbell, for applicant;  
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, (1) to execute and deliver a supplemental indenture, and (2) to issue and sell (a) \$15,000,000 aggregate principal amount of bonds and (b) not exceeding 266,100 shares of common stock.

After due notice, a public hearing in this matter was held before Examiner Donovan in San Francisco on April 28, 1967.

at which time the matter was taken under submission. The Commission has received no protests in the proceeding.

Applicant 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 1966, the company's reported total operating revenues amounted to \$27,300,885, which total included \$3,677,702 derived from California operations.

The utility proposes to invite bids for the purchase of \$15,000,000 aggregate principal amount of its First Mortgage Bonds, due 1997, the winning bid to determine the interest rate. The bonds will mature July 1, 1997, and will carry a five-year restricted redemption provision similar to that frequently employed in bond offerings at the present time. They will be secured by an Indenture of Mortgage dated as of December 1, 1940, as supplemented and modified by eleven existing supplemental indentures and a proposed Twelfth Supplemental Indenture.

In addition, applicant proposes to offer not exceeding 266,100 shares of its \$3.75 par value common stock for sale to its common shareholders of record as of June 20, 1967, on the basis of one share for each fifteen 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% of the average bid price of the common stock of applicant in the over-the-counter market on the first day preceding the day the price is fixed by applicant's Board of Directors. In order to be certain of the sale of the entire offering 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 for not less than the subscription price. The underwriting agreement further will provide that applicant will share equally 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 1967 construction program.

Applicant reports that its outstanding bank loans aggregated \$13,300,000 at March 31, 1967, and are expected to amount to \$16,900,000 at the time of the sales of said common stock and bonds. The approximate amounts which the company estimates it will expend on its construction program for the year 1967, segregated by department, are as follows:

Electric Department -		
Generating equipment	\$9,625,000	
Line extensions and connections for new customers	1,885,000	
Other distribution and trans- mission improvements and additions	2,719,000	
Miscellaneous plant and equipment	<u>361,000</u>	
Total - Electric Department		\$14,590,000
Gas Department		1,316,000
Water Department		<u>2,014,000</u>
Grand total		<u>\$17,920,000</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.

The company's capitalization ratios as of February 28, 1967, and as adjusted to give effect to the proposed financing, according to Exhibit No. 11 filed in this proceeding, which exhibit assumes that applicant will realize \$4,257,600 from the common stock, are as follows:

	<u>Feb. 28, 1967</u>	<u>Pro Forma</u>
Long-term debt	50.0%	60.0%
Bank loans	11.6	-
Preferred stock	8.2	7.8
Common stock equity	<u>30.2</u>	<u>32.2</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 for not less than the subscription price and that a standby fee of not more than 12-1/2 cents per share, or \$33,262.50, will be charged by the underwriters. The record shows that similar stock offerings in the past by applicant and its 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 will be required to pay interest at a lower effective rate than it would in the absence of the proposed restricted redemption provision.
4. The proposed Twelfth Supplemental Indenture will not be adverse to the public interest.
5. The issue and sale of the proposed additional common stock should not be required to be through competitive bidding.
6. 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, which purposes 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 granted 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 may execute and deliver a Twelfth Supplemental Indenture 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 may invite the submission of written sealed bids for the purchase of not exceeding \$15,000,000 aggregate principal amount of its First Mortgage Bonds, due 1997, such invitation for bids to be published at least five days prior to the date set for the opening of the bids.

3. Sierra Pacific Power Company may issue and sell, at competitive bidding, not exceeding \$15,000,000 aggregate principal amount of its First Mortgage Bonds, due 1997, at the price offered in a bid which will provide the lowest annual cost of money to applicant calculated in the manner provided in the proposed form of Invitation for Bids filed in this proceeding as Exhibit No. 3.

4. The issue and sale by Sierra Pacific Power Company of not exceeding 266,100 additional shares of its \$3.75 par value common stock are hereby exempted from the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946, as amended by Decision No. 49941, dated April 20, 1954, in Case No. 4761.

5. On or after the effective date hereof and on or before December 31, 1967, Sierra Pacific Power Company may issue to the holders of its common stock transferable subscription warrants evidencing rights to subscribe to not exceeding 266,100 additional shares of applicant's common stock, and may issue and sell such of said 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, on or before December 31, 1967, may issue and sell to underwriters such of said not exceeding 266,100 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 shall use the proceeds from the sale of said common stock and bonds for the purposes set forth in this proceeding.



8. Immediately upon awarding the contract for the sale of the bonds herein authorized, 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 rate and the cost of money to applicant based on 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 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 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 pertaining to said stock.

11. Within thirty days after expending the proceeds to be derived from the issue and sale of the bonds herein authorized, Sierra Pacific Power Company shall file with the Commission a report disclosing the purposes for which the bond proceeds were used. Such report shall be filed in lieu of a report, or reports, under General Order No. 24-B pertaining to said bonds.

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

13. This order shall become effective when Sierra Pacific Power Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code.

Dated at San Francisco, California,  
this 23rd day of MAY, 1967

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]  
Commissioners

PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA  
38807  
MAY 25 1967  
H. 750.  
BY [Signature]