

Decision No. 79309

ORIGINAL

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 300,000 shares)
of its Preferred Stock at \$50.00)
par value per share.)

Application No. 52937
Filed October 19, 1971

O P I N I O N

Sierra Pacific Power Company seeks an order of the Commission authorizing it to issue and sell 300,000 shares of its \$50 par value Preferred Stock, Series C.

Applicant is a Nevada corporation 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 1970 its reported total operating revenues amount to \$39,324,370, which total includes \$4,847,116 derived from California operations.

According to the Preliminary Prospectus included in Appendix D, attached to the application, the utility would use the net proceeds to be derived through the issuance and sale of the preferred stock to repay, in part, outstanding bank loans and commercial paper, incurred or issued in connection with its construction program. Such outstanding bank loans and commercial paper aggregated \$30,500,000 at June 30, 1971, and are expected to aggregate \$42,000,000 at the time of the sale of the new preferred stock.

The company's capitalization ratios at June 30, 1971, and as adjusted to give effect to the proposed preferred stock issue, are summarized from Appendix B, attached to the application, as follows:

	<u>June 30, 1971</u>	<u>Pro forma</u>
Long-term debt	46.3%	46.3%
Bank loans and commercial paper	17.3	8.8
Preferred stock	5.1	13.6
Common equity	<u>31.3</u>	<u>31.3</u>
 Total	 <u>100.0%</u>	 <u>100.0%</u>

Applicant proposes to issue and sell 300,000 shares of its \$50 par value Preferred Stock, Series C, with the dividend rate to be negotiated with underwriters. The utility would enter into an Underwriting Agreement which, among other things, would set forth the initial public offering price and underwriting commissions.

After consideration the Commission finds that:

1. The proposed preferred stock issue is for a proper purpose.
2. Applicant has need for external funds for the purpose set forth in this proceeding.
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 purpose specified herein, which purpose is 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. 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 it 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 the company's stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

Applicant is hereby placed on further notice that, if the Commission should believe the negotiated dividend rate, price, or underwriters' compensation pertaining to the proposed stock issue would result in excessive effective costs, it would take into consideration in rate proceedings only that which it deems reasonable.

ORDER

IT IS ORDERED that:

1. Sierra Pacific Power Company may issue and sell not exceeding 300,000 shares of its \$50 par value Preferred Stock, Series C, of the aggregate par value of not exceeding \$15,000,000, the terms to be fixed in the manner described in the application.
2. Sierra Pacific Power Company shall apply the net proceeds from the sale of said stock to repaying, in part, outstanding bank loans and commercial paper.
3. Promptly after Sierra Pacific Power Company ascertains the dividend rate, underwriting commissions, and price to be paid to it for the preferred stock herein authorized, the company shall notify the Commission of each in writing.

4. As soon as available, Sierra Pacific Power Company shall file with the Commission three copies of its prospectus pertaining to said stock.

5. Within one month after issuing and selling the stock herein authorized, Sierra Pacific Power Company shall file with the Commission a statement, in lieu of a report under General Order No. 24-B, disclosing the purpose to which the stock proceeds were applied.

6. This order shall become effective when Sierra Pacific Power Company has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$13,500.

Dated at San Francisco, California, this 9th day of NOVEMBER, 1971.

[Signature]
Chairman

[Signature]

[Signature]
Vernon L. Sturgeon

[Signature]
Commissioners

