

ORIGINAL

Decision No. 80662

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 )  
negotiated placement \$20,000,000 )  
principal amount of First )  
Mortgage Bonds, 8-1/4% Series )  
due November 1, 2002; and (b) )  
to execute a Fourteenth )  
Supplemental Indenture as of )  
November 1, 1972, supplementing )  
the Indenture of Mortgage dated )  
December 1, 1940. )

Application No. 53579  
(Filed September 12, 1972)

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

O P I N I O N

Sierra Pacific Power Company seeks authority to execute and deliver a supplemental indenture, and to issue and sell \$20,000,000 principal amount of bonds pursuant to negotiated placement.

After due notice, a public hearing in the above-entitled matter was held before Examiner Donovan in San Francisco on October 6, 1972, at the conclusion of which the matter was taken under submission. The Commission has received no protests in the proceeding.

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 1971, the company's reported total operating revenues amounted to \$44,219,803, which total includes \$5,473,028 derived from California operations.

The new issue would be designated as First Mortgage Bonds, 8-1/4% Series due 2002, and would be secured by an Indenture of Mortgage dated as of December 1, 1940, as supplemented and modified by thirteen existing supplemental indentures and a proposed Fourteenth Supplemental Indenture. The bonds would be subject to provisions restricting redemption during the first ten years.

The utility proposes to place the bonds privately with 18 financial institutions from which it has obtained commitments to sell the securities at 100% of the principal amount plus accrued interest. The net proceeds, other than accrued interest, would be used for repaying a portion of applicant's outstanding indebtedness incurred for temporary financing of its construction program, which indebtedness is represented by promissory notes in favor of banks and commercial paper. The accrued interest would be used for general corporate purposes.

Exhibit No. 1-13, received in evidence at the hearing, shows that as of September 30, 1972, the company's outstanding bank loans and commercial paper aggregated \$29,100,000. The utility's estimated construction program for the years 1972 and 1973 amounts to \$25,711,000 and \$35,227,000, respectively, segregated as follows:

	<u>1972</u>	<u>1973</u>
Electric Department	\$20,511,000	\$29,345,000
Gas Department	2,563,000	2,512,000
Water Department	<u>2,637,000</u>	<u>3,370,000</u>
Total	<u>\$25,711,000</u>	<u>\$35,227,000</u>

Applicant's capitalization ratios as of June 30, 1972, and as adjusted to give effect to the proposed bond issue, as summarized from Exhibit No. 1-9 received in evidence at the hearing, are as follows:

	<u>June 30, 1972</u>	<u>Pro forma</u>
Long-term debt	42.8%	53.2%
Short-term debt	13.8	3.4
Preferred stock	12.6	12.6
Common stock equity	<u>30.8</u>	<u>30.8</u>
Total	<u>100.0%</u>	<u>100.0%</u>

As justification for seeking exemption from competitive bidding requirements with respect to the sale of said bonds, the application states the following:

"Applicant has been informed that the general trend in long term interest rates for the balance of 1972 and into 1973 will be on the increase; because of this information Applicant is convinced that it is in the best interests of its customers and itself to place privately the \$20,000,000 of a new series of First Mortgage Bonds. To facilitate such private placement Applicant has heretofore secured commitments from the following purchasers who have subscribed for that portion of the \$20,000,000, 8-1/4% First Mortgage Bonds due 2002, set opposite their names: . . ."

(The list of 18 purchasers is omitted from this opinion.)

"The agreements with the above-named purchasers require the approval of both the Public Service Commission of Nevada and the California Public Utilities Commission before such commitments can be exercised. By having obtained the aforesaid conditional commitments Applicant stands to avoid higher rates of interest at the time when Applicant intends to issue said First Mortgage Bonds at approximately November 1, 1972. By securing such commitments Applicant has assured a successful issue of such bonds, thus guaranteeing a source of funds later this year at what Applicant believes to be a fair rate of interest.

"By private placement rather than competitive bidding or negotiated underwriting, Applicant's costs will be reduced by approximately \$178,300.00. These savings will result from less costly registration statements and less costly printing and associated expenses than would be incurred with the issuance through competitive bidding or negotiated underwriting."

The company presented evidence at the public hearing for supporting its request for exemption from competitive bidding.

After consideration of the evidence, and noting the absence of any opposition, we find that:

1. The proposed bond issue is for proper purposes.
2. Applicant has need for external funds for the purposes set forth in this proceeding.
3. The proposed restricted redemption provisions are reasonable.

4. The proposed Fourteenth Supplemental Indenture would not be adverse to the public interest.
5. The issue and sale of the proposed bonds 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 bonds herein authorized is reasonably required for the purposes specified herein, which purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income.
7. The major portion of applicant's operations and properties are in the State of Nevada.
8. On October 2, 1972, the Public Service Commission of Nevada authorized the same transactions which applicant now seeks authority from this Commission to consummate.

On the basis of the foregoing findings we conclude that the application should be granted. The action taken herein is for the purpose of this proceeding only, 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. The issue and sale by Sierra Pacific Power Company of not exceeding \$20,000,000 aggregate principal amount of its First Mortgage Bonds, 8-1/4% Series due 2002 are hereby exempted from the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946, as amended, in Case No. 4761.

2. Sierra Pacific Power Company may execute and deliver a Fourteenth Supplemental Indenture in substantially the same form as Exhibit No. 1-3 received in evidence at the hearing in this proceeding.

3. Sierra Pacific Power Company may issue and sell at a price of 100% of their principal amount plus accrued interest not exceeding \$20,000,000 aggregate principal amount of its First Mortgage Bonds, 8-1/4% Series due 2002.


4. Sierra Pacific Power Company shall use the net proceeds from the sale of the bonds herein authorized for the purposes specified in this proceeding.

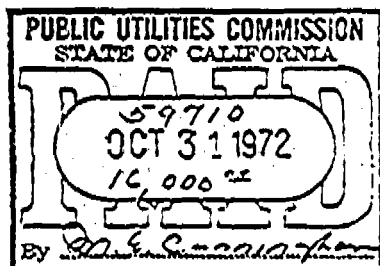
5. Within thirty days after selling the bonds herein authorized, Sierra Pacific Power Company shall file with the Commission a statement, in lieu of a report under General Order No. 24-B, disclosing the purposes for which the bond issue proceeds were used.



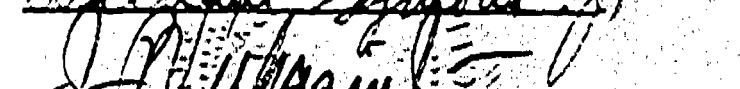
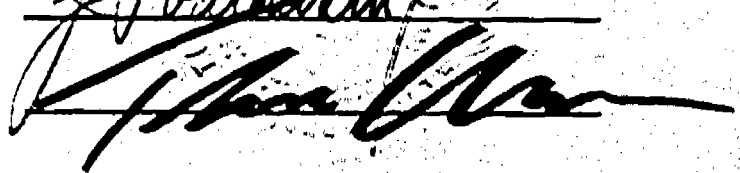
6. This order shall become effective when Sierra Pacific Power Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$16,000.

Dated at San Francisco, California, this  
31st day of OCTOBER, 1972.

I Dissent

  
Commissioner



  
President  
  
  
  
Commissioners