

Decision No. 80910

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 not more than 500,000)
shares of its common stock at a)
par value of \$3.75 each share)
under contract with underwriters.)

Application No. 53734
(Filed December 7, 1972)

O P I N I O N

Sierra Pacific Power Company seeks authority to issue and sell 500,000 shares of its \$3.75 par value common stock.

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 12 months ended October 31, 1972, the company reports total operating revenues and net income of \$50,112,475 and \$7,916,710, respectively. The application shows outstanding indebtedness represented by bank loans and commercial paper aggregating \$12,300,000 as of November 30, 1972, which indebtedness was incurred to finance, in part, the utility's construction program.

In order to obtain funds for repaying a portion of its outstanding bank loans and commercial paper, the company proposes to issue and sell not exceeding 500,000 shares of its common stock under contract with underwriters. The price would be at least 95% of the price of the last sale of applicant's common stock on the New York Stock Exchange preceding the time when the price applicable to the new shares is determined.

Applicant's capitalization ratios at October 31, 1972, adjusted to give effect to the sale of \$20,000,000 of bonds authorized by Decision No. 80662, and as adjusted to give effect to the proposed issuance of 500,000 shares of common stock, assuming a price of \$17 per share, are summarized from Appendix C, attached to the application, as follows:

	<u>October 31, 1972</u>	<u>Pro forma</u>
Long-term debt	52.2%	52.2%
Short-term debt	5.4	1.0
Preferred stock	12.4	12.4
Common stock equity	<u>30.0</u>	<u>34.4</u>
Total	<u>100.0%</u>	<u>100.0%</u>

After consideration the Commission finds that:

1. The proposed stock issue is for a proper purpose.
2. Applicant has need for external funds for the purpose set forth herein.
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 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.

O R D E R

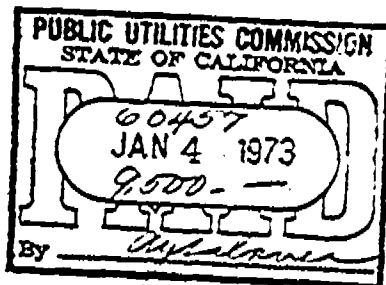
IT IS ORDERED that:

1. Sierra Pacific Power Company, on or after the effective date hereof and on or before June 30, 1973, may issue and sell not exceeding 500,000 shares of its \$3.75 par value common stock at a price to be determined in the manner set forth in the application.
2. Sierra Pacific Power Company shall apply the proceeds from the sale of the stock herein authorized to the purpose specified in the foregoing opinion.
3. Promptly after Sierra Pacific Power Company ascertains the underwriting commission and price to be paid to it for the common 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 the common stock herein authorized.

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 \$9,500.

Dated at San Francisco, California, this 5th day of JANUARY, 1973.



Vernon L. Stinson
President

Alan Flinn

Samuel D. ...
Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.