

ORIGINAL

Decision No. 83510

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 500,000 shares of common)
stock, \$3.75 par value,)
pursuant to contract with)
underwriters, and to issue)
300,000 shares of Preferred)
Stock, Series D, \$50 par value.)

Application No. 55145
(Filed August 30, 1974)

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 and 300,000 shares of \$50 par value preferred 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 year 1973 it reports operating revenues of \$58,185,650, of which \$7,447,851 (13%) were derived from California operations.

In order to obtain funds to reimburse its treasury for capital expenditures, and thereafter to repay a portion of its bank loans and commercial paper, the proceeds of which were used for capital expenditures, and to finance in part its construction program, the company proposes to issue and sell not exceeding 500,000 shares of its \$3.75 par value common stock and 300,000 shares of \$50 par value Preferred Stock, Series D, under contracts with underwriters. The price per share

at which the additional common shares will be offered to the public will be at least 95% of the price on the New York Stock Exchange of the last sale of the company's common stock preceding the time when the company determines such price. Applicant proposes to sell the preferred stock at the par value thereof and to remit an appropriate commission to the underwriters. The dividend rate would be negotiated with the underwriters, and applicant estimates that such dividend rate would fall in the range of 10.5% to 11.5%.

The utility's reported capitalization ratios at July 31, 1974, and as adjusted to give effect to the proposed stock issues, assuming proceeds of \$15,000,000 from the sale of the preferred shares and \$5,000,000 from the sale of the common shares, are as follows:

	<u>July 31, 1974</u>	<u>Pro forma</u>
Long-term debt	57.90%	53.20%
Preferred stock	10.61	15.84
Common stock equity	<u>31.49</u>	<u>30.96</u>
Total	<u>100.00%</u>	<u>100.00%</u>

After consideration the Commission finds that:

1. The proposed stock issues would be 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 stocks 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, dividend rate on the preferred stock or underwriters' compensation pertaining to the proposed stock issues 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 May 31, 1975, may issue and sell not exceeding 500,000 shares of its \$3.75 par value common stock and not exceeding 300,000 shares of \$50 par value Preferred Stock, Series D, in the manner set forth in the application.
2. Sierra Pacific Power Company shall apply the proceeds from the sale of the stocks herein authorized to the purpose set forth in the application.

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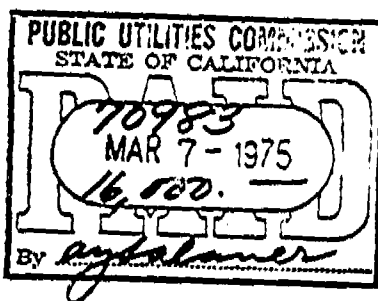
3. Promptly after Sierra Pacific Power Company ascertains the dividend rate on the preferred stock, the compensation to underwriters and the price to be paid to it for the stocks herein authorized, the company shall notify the Commission of each in writing.

4. As soon as available, Sierra Pacific Power Company shall file with the Commission three copies of each prospectus pertaining to the stocks herein authorized.

5. Within one month after issuing and selling each of the stocks herein authorized, Sierra Pacific Power Company shall file with the Commission a statement, in lieu of reports under General Order No. 24-B, disclosing the purpose to which the 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 \$16,000.

Dated at San Francisco, California, this 12th
day of OCTOBER, 1974.



Vernon L. Sturgeon
President
William J. Symon, Jr.
[Signature]
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Commissioners