

ORIGINAL

Decision 82 08 065 SEP 22 1982

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 not more than)
1,500,000 shares of its Common)
Stock with a par value of \$3.75)
each share under contract with)
underwriters.)

Application 82-08-32
(Filed August 16, 1982)

O P I N I O N

Sierra Pacific Power Company (Sierra Pacific) requests authority, under Public Utilities (PU) Code Sections 816 through 825, to issue and sell up to 1,500,000 shares of its Common Stock, \$3.75 par value, through underwriters.

Notice of the filing of the application appeared on the Commission's Daily Calendar of August 18, 1982. No protests have been received.

Sierra Pacific, a Nevada corporation, provides public utility electric service in California and electric, gas, and water utility service in Nevada.

Sierra Pacific proposes to offer up to 1,500,000 shares of Common Stock, \$3.75 par value, under an agreement with underwriters, at a price to be determined at least one day prior to

issuance of the stock. In the event the market price at the time is lower than contemplated, Sierra Pacific seeks authority to defer the offer to a later date.

In calendar year 1981, Sierra Pacific reported in its 1981 Annual Report that it generated total operating revenues of \$269,784,000 of which \$29,547,000 or 10.95% were derived from California electric operations. The company also reported net income of \$25,685,000. For the 12 months ended June 30, 1982, Sierra Pacific reports in its Comparative Income Statement, attached to the application as Appendix B, that it generated total operating revenues of \$288,461,000 and net income of \$35,240,000.

Sierra Pacific's Comparative Balance Sheet as of June 30, 1982, attached to the application as Appendix A, is summarized as follows:

| <u>Assets</u> | <u>Amount</u> |
|-----------------------------------|--------------------|
| Net Utility Plant | \$661,495,000 |
| Nonutility Investments | 9,837,000 |
| Current Assets | 61,574,000 |
| Deferred Debits | <u>26,792,000</u> |
| Total | \$759,698,000 |
| <u>Liabilities and Equity</u> | |
| Common Equity | \$208,528,000 |
| Preferred Stock | 69,025,000 |
| Long-Term Debt | 268,436,000 |
| Current Liabilities | 102,626,000 |
| Deferred Credits | <u>111,083,000</u> |
| Total | \$759,698,000 |

As of June 30, 1982, Sierra Pacific had short-term debt outstanding, consisting of bank loans and commercial paper, in the aggregate principal amount of \$68,540,000. This short-term borrowing was used to finance Sierra Pacific's ongoing construction programs. Additional short-term borrowing estimated in the amount of \$19,810,000 may be necessary before the company can benefit from its proposed sale of long-term debt securities and the proposed sale of common stock. The combined short-term debt would be increased to \$88,350,000 which is covered by the \$90,000,000 short-term debt authorized under Decision (D.) 82-03-001 dated March 16, 1982 in Application (A.) 82-01-38.

Proceeds from the proposed issue of common stock will be used by Sierra Pacific to reimburse its treasury for capital expenditures and to repay a portion of its short-term bank loans and commercial paper.

Sierra Pacific estimates the cost of its construction program, as of June 30, 1982, for calendar years 1982 and 1983 will be about \$138,300,000 summarized as follows:

| | <u>1982</u> | <u>1983</u> |
|---------------------|----------------|----------------|
| Electric Department | \$64,400,000 | \$60,600,000 |
| Gas Department | 3,000,000 | 2,900,000 |
| Water Department | 3,000,000 | 3,600,000 |
| Common Plant | <u>500,000</u> | <u>300,000</u> |
| Total | \$70,900,000 | \$67,400,000 |

The Revenue Requirements Division has reviewed the application and has concluded that the proposed financing is necessary to implement the company's construction program. The Division reserves the right to reconsider the reasonableness of any specific construction expenditure in future rate proceedings.

Sierra Pacific's capital ratios as of June 30, 1982 are shown below as recorded and adjusted to give pro forma effect to the transactions that follow:

| | <u>June 30, 1982</u> | <u>Pro Forma</u> |
|-----------------|----------------------|------------------|
| Long-Term Debt | 43.7% | 52.2% |
| Short-Term Debt | <u>11.2</u> | <u>1.6</u> |
| Total Debt | 54.9 | 53.8 |
| Preferred Stock | 11.2 | 10.9 |
| Common Equity | <u>33.9</u> | <u>35.3</u> |
| Total | 100.0% | 100.0% |

1. The proposed sale and issuance of up to 1,500,000 shares of Common Stock, \$3.75 par value, in October, 1982, estimated to produce net proceeds of \$15,750,000 at the estimated price of \$10.50 per share;
2. The proposed issuance and sale of up to \$50,000,000 aggregate principal amount of Sierra Pacific's Bonds in October, 1982 (A.82-08-31 filed August 16, 1982);

3. The sale of up to \$12,600,000 aggregate principal amount of Bonds to repay the short-term bank loans and commercial paper used to finance the purchase of Pollution Control equipment for North Valmy Unit #1 in September, 1982 (D.92191 dated September 3, 1980, as supplemented by D.82-08-079 dated August 18, 1982 in A.59820);
4. Additional short-term borrowing up to \$19,810,000 aggregate principal amount (D.82-03-061 dated March 16, 1982 in A.82-01-38); and
5. The retirement of up to \$78,350,000 of short-term bank loans and commercial paper.

The Commission's Revenue Requirements Division has analyzed Sierra Pacific's cash requirement forecast and has determined the utility has need for external financing. The Division has concluded that the sale of the proposed common stock will be necessary to help Sierra Pacific meet its forecasted cash requirements.

Findings of Fact

1. Sierra Pacific, a Nevada corporation, provides electric utility service in California and electric, gas, and water service in Nevada. The company derived 10.95% of its operating revenues from business conducted in California.

2. The proposed sale of common stock would be for proper purposes.

3. Sierra Pacific has need for external funds for the purposes set forth in the application.

4. The money, property, or labor to be procured or paid for by the proposed issuance of common stock is reasonably required for the purposes specified in the application.

5. There is no known opposition to the application and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.

2. The application should be granted to the extent set forth in the order which follows.

In issuing our order, we place Sierra Pacific and its stockholders on notice that we do not regard the number of shares outstanding, the total par value of the shares, or the dividends paid as measuring the return it should be allowed to earn on its investment in plant. This authorization is not a finding of the value of Sierra Pacific's stock or properties or indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

The following order should be effective on the date of signature and payment of the fee set by PU Code Sections 1904.1 and 1904.2 to enable Sierra Pacific to proceed with its sale of common stock expeditiously.

O R D E R

IT IS ORDERED that:

1. Sierra Pacific Power Company (Sierra Pacific) may issue and sell through underwriters, at any time prior to December 31, 1982, up to 1,500,000 shares of its Common Stock, \$3.75 par value, or may defer the sale, if, at the time of the proposed sale, market conditions, in the opinion of the company, are not the most favorable for the issuance of its stock.

2. Sierra Pacific shall apply the proceeds from the sale of its common stock to the purposes set forth in the application.

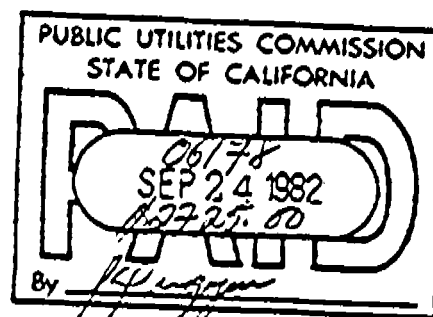
3. As soon as available, Sierra Pacific shall file with the Commission three copies of the final prospectus pertaining to the sale of its common stock.

4. Sierra Pacific shall file the reports required by General Order Series 24.

5. The authority granted by this order to issue common stock will be effective when Sierra Pacific pays \$2,725, the fee set by PU Code Sections 1904.1 and 1904.2.

Dated SEP 22 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. GRIMES, JR.
VICTOR CALVO
PRISCILLA C. GREW
Commissioners



I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.

[Signature]
Joseph E. Bodovick, Executive Director