

RR/TC/ARM/WPSC

ORIGINAL

Decision S3 01 014 JAN 12 1983

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 an additional 1,000,000)
shares of its Common Stock, \$3.75)
par value, pursuant to its Dividend)
Reinvestment and Stock Purchase)
Plan.)

Application 82-11-62
(Filed November 30, 1982)

In the Matter of the Application)
of SIERRA PACIFIC POWER COMPANY)
for an Order Authorizing it to)
issue an additional 200,000 shares)
of its Common Stock, \$3.75 par)
value, pursuant to its Employee)
Stock Purchase Plan.)

Application 82-11-61
(Filed November 30, 1982)

In the Matter of the Application)
of SIERRA PACIFIC POWER COMPANY)
for an Order Authorizing it to)
issue an additional 200,000 shares)
of its Common Stock, \$3.75 par)
value, pursuant to its Employees')
Stock Ownership Plan.)

Application 82-11-60
(Filed November 30, 1982)

O P I N I O N

Sierra Pacific Power Company (Sierra Pacific) seeks authority under Public Utilities (PU) Code Sections 816 through 825, as follows:

1. To issue 1,000,000 shares of its \$3.75 par value common stock under its Dividend Reinvestment and Stock Purchase Plan;

2. To issue 200,000 shares of its \$3.75 par value common stock under its Employee Stock Purchase Plan,
3. To issue 200,000 shares of its \$3.75 par value common stock under its Employees' Stock Ownership Plan,

an aggregate of 1,400,000 shares of its \$3.75 par value common stock.

Notice of the filing of the applications was published in the Commission's Daily Calendar of December 7, 1982. No protests have been received.

Sierra Pacific is a Nevada corporation and is subject to the jurisdiction of this Commission in that it provides public utility electric service in California. It is also engaged in public utility electric, gas, and water operations in Nevada.

Total operating revenues and net income reported by Sierra Pacific for the nine months ended September 30, 1982 were \$234,030,000 and \$30,388,000, respectively, according to Appendix B attached to the application. Approximately 11% of the operating revenues were derived from California electric operations, according to the application.

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

| <u>Assets</u> | <u>Amount</u> <u>(In Thousands)</u> |
|-----------------------------------|--|
| Net Utility Plant | \$668,306 |
| Nonutility Investments | 10,760 |
| Current Assets | 63,009 |
| Deferred Debits | <u>19,835</u> |
| Total | \$761,910 |
| <u>Liabilities and Equity</u> | |
| Common Equity | \$212,548 |
| Preferred Stock | 69,025 |
| Long-Term Debt | 282,781 |
| Short-Term Debt | 48,875 |
| Current Liabilities | 34,523 |
| Deferred Credits | <u>114,158</u> |
| Total | \$761,910 |

Dividend Reinvestment and Stock Purchase Plan

The issuance of stock under this plan was originally authorized by Decision (D.) 84382 dated April 29, 1975 in Application (A.) 55614. Subsequently, it was supplemented by D.88545 dated March 7, 1978 in A.57831, and D.92358 dated October 22, 1980 in A.59917. There remain only 258,561 shares reserved and unissued under this plan. Sierra Pacific seeks authority to issue an additional 1,000,000 shares to keep the plan viable and operative during the course of 1983.

The application states that the purpose of the Dividend Reinvestment and Stock Purchase Plan is to provide the company's shareholders with a simple and convenient method of investing their cash dividends and/or making optional cash payments to purchase additional shares of common stock at a price equal to the market value.^{1/} All common and preferred stockholders are eligible to take advantage of the plan by electing to have their dividends reinvested by the utility into new shares of common stock. There is no brokerage commission or service charge payable by the stockholders. In addition, each stockholder may elect to purchase additional shares under the plan by payment of at least \$25, but not exceeding \$5,000, per quarter with no brokerage commission or service charge payable.

The Employee Stock Purchase Plan

The issuance of stock under Sierra Pacific's Employee Stock Purchase Plan was originally authorized by D.69111 dated May 25, 1965 in A.47559. At that time, Sierra Pacific was authorized to issue 100,000 shares of stock. Subsequently, by D.89001 dated June 27, 1978 in A.58025, Sierra Pacific received authority to issue an additional 100,000 shares. The company in

^{1/} On December 8, 1982, Sierra Pacific's common closed at \$13 per share.

the present application seeks authority for an additional 200,000 shares, to be sold in 1983 and beyond as needed to fulfill the request of its employees.

The purpose of this plan is to encourage stock ownership in Sierra Pacific by its employees, thereby giving them an increased interest in the continuing success and progress of the utility and strengthening their desire to continue in its employ.

The application indicates that under this plan, Sierra Pacific twice each year at the beginning of designated six-month payment periods, grants to each eligible employee who is then a participant in the plan an option to purchase common stock on the last day of such period at a price of 90% of the closing price as shown on the composite tape on the date each option is granted, or the last preceding day such quotations are available, but in no event is the option price to be less than the par value of such share. Participating employees pay regularly by payroll deductions up to, but not exceeding, 15% of their base pay. At the end of each six-month period of the employee's account, accumulated savings are used either to purchase reserved shares directly from Sierra Pacific, or should the market price on the day of purchase be less than the option price, to purchase shares of Sierra Pacific in the open market. Any brokerage commissions in connection with such purchases are to be paid by Sierra Pacific. The formula for

fixing the option price and the manner of exercising the option are prescribed by Section 423 of the Internal Revenue Code. The plan is fully described in Appendix D to A.58025. The appendix indicates that all employees of Sierra Pacific, regardless of their positions or rate of pay, may participate in the plan. Excluded are employees who, at the beginning date of the payment period, had not completed six months service with the company, employees whose customary employment is 20 hours or less per week, and employees whose customary employment is for not more than five months per calendar year. Officers are eligible, but not directors unless they are also officers or employees.

The Employees' Stock Ownership Plan

The issuance of stock under Sierra Pacific's Employees' Stock Ownership Plan was originally authorized by D.87932 dated October 4, 1977 in A.57514. At that time Sierra Pacific was authorized to issue 500,000 shares of stock. In the present application, Sierra Pacific seeks authority for an additional 200,000 shares to be sold in 1983 and beyond as needed to fulfill the requests of eligible employees.

The purpose of this plan, is to provide eligible employees of Sierra Pacific with the opportunity of becoming stockholders. Under the plan, Sierra Pacific takes advantage of the additional investment tax credit provided by the Tax Reduction

Act of 1975, as amended by the Tax Reform Act of 1976. Sierra Pacific makes contributions to a Trust Fund of its common stock or cash which the Trustee uses to purchase Sierra Pacific common stock. The prescribed price is a price equal to the average of closing prices of the common stock as reported by the New York Stock Exchange for the 20 consecutive trading days immediately preceding the date of transfer or allocation of such stock. The basic contribution is equal to 1% of certain tangible property that is acquired and placed in service by Sierra Pacific during each plan year. The contributions are allocated to each eligible employee in the ratio that the employee's compensation for each year bears to all eligible employees' compensation for that year. Employees are given an opportunity to make additional individual contributions to the plan which Sierra Pacific will match, but not exceed one-half of the basic contribution of Sierra Pacific. The plan is fully described in Appendix D to A.57514.

Sierra Pacific is engaged in an ongoing construction program. Its estimated construction program for the year 1983 is as follows:

| | (In Thousands) |
|---------------------|----------------|
| | <u>1983</u> |
| Electric Department | \$60,600 |
| Gas Department | 2,900 |
| Water Department | 3,600 |
| Common Plant | <u>300</u> |
| Total | \$67,400 |

To fund in part its construction program, Sierra Pacific estimates that sale of common stock under its Dividend Reinvestment and Stock Purchase Plan will generate approximately \$13,250,000 per year. Its Employee Stock Purchase Plan will generate approximately \$2,650,000 over the next five years. Sierra Pacific's Employees' Stock Ownership Plan will generate approximately \$2,650,000 over the next five years. These sums will be applied to Sierra Pacific's construction program.

The Commission's Revenue Requirements Division has reviewed Sierra Pacific's construction program and concludes that the estimated construction expenditures are reasonable. The Division reserves the right, however, to reconsider the reasonableness of any construction expenditure in future rate proceedings.

Sierra Pacific's capitalization as of October 31, 1982 and as adjusted to include the three proposed plans is summarized as follows:

| | <u>Recorded</u> | <u>Pro Forma</u> |
|-----------------|-----------------|------------------|
| Common Equity | 37.43% | 38.16% |
| Preferred Stock | 11.39 | 11.25 |
| Long-Term Debt | 46.76 | 46.22 |
| Short-Term Debt | <u>4.42</u> | <u>4.37</u> |
| Total | 100.00% | 100.00% |

The Commission's Revenue Requirements Division has reviewed Sierra Pacific's three stock purchase plans and the proposed requested authority under each. The Division concludes that the proceeds from the proposed sales of common stock under each plan are needed for the purpose of financing extensions, improvements, and new construction and are necessary to help meet Sierra Pacific's cash requirements.

Findings of Fact

1. Sierra Pacific, a Nevada corporation, is subject to the jurisdiction of this Commission in that it operates as an electric public utility in California and derives 11% of its operating revenues from this State.

2. The proposed issue of common stock under each of the three plans described in the applications would be for proper purposes.

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

4. The operation of each of the three plans described in this opinion would not be adverse to the public interest.

5. The proposed security issue is for lawful purposes and the money, property, or labor to be obtained by it is required for these purposes. Proceeds from the security issue may not be charged to operating expenses or to income.

6. 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.

We place Sierra Pacific and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares, and the dividends paid as determining allowable return on plant investment. This authorization is not a finding of the value of Sierra Pacific's stock or property, nor does it indicate the amounts to be included in ratesetting proceedings.

Because of the need to have stock available to carry on each of the plans described in the application expeditiously, Sierra Pacific has requested an order to be effective on the payment of the fee set by PU Code Section 1904.2.

O R D E R

IT IS ORDERED that:

1. Sierra Pacific Power Company (Sierra Pacific), on or after the effective date of this order, may issue and sell not to exceed 1,000,000 shares of its \$3.75 par value common stock, to the utility's holders of its common and/or preferred stock in accordance with the terms set forth in its application and its related Dividend Reinvestment and Stock Purchase Plan.

2. Sierra Pacific, on or after the effective date of this order, may issue and sell not to exceed an additional 200,000 shares of its \$3.75 par value common stock substantially in accordance with its Employee Stock Purchase Plan, a copy of which is attached as Appendix D to A.58025.

3. Sierra Pacific, on or after the effective date of this order, may issue and sell not to exceed 200,000 shares of its \$3.75 par value common stock, to be offered to the Trustee of the Employees' Stock Ownership Plan, at prices to be determined in the manner described in the Plan attached as Appendix D to A.57514.

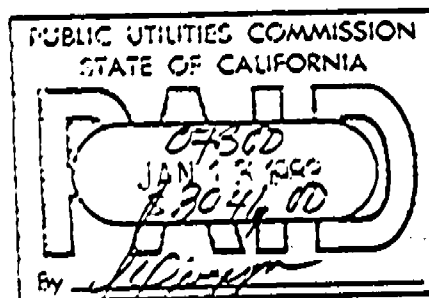
4. Sierra Pacific shall use the net proceeds derived from the sale of the common stock here authorized under its (1) Dividend Reinvestment and Stock Purchase Plan, (2) Employee Stock Purchase Plan, and (3) Employees' Stock Ownership Plan, for the purpose of financing construction and/or the cost of extensions and improvements of its properties.

5. On or before the 25th day of the month following each quarter, Sierra Pacific shall file with the Commission a statement for the preceding quarter showing the number of shares of common stock purchased under each of the plans, the gross proceeds received, and the expenses incurred by it in connection with the issuance and sale of common stock. These filings shall be in lieu of reports required under General Order Series 24.

6. This order shall become effective when Sierra Pacific pays \$3,041, the fee prescribed by PU Code Section 1904.2.

Dated JAN 12 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
Commissioners



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

Joseph E. Bodovius
Joseph E. Bodovius, Executive Director