

Decision No. 88545 MAR 7 1978

**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 an )  
 additional 500,000 shares of common )  
 stock, \$3.75 par value, pursuant to )  
 its Dividend Reinvestment and Stock )  
 Purchase Plan. )

Application No. 57831  
 (Filed January 25, 1978)

O P I N I O N

Sierra Pacific Power Company (Sierra Pacific) requests authority to issue and sell 500,000 shares of its \$3.75 par value common stock in accordance with the company's Dividend Reinvestment and Stock Purchase Plan.

Sierra Pacific is a public utility providing electric service in California and Nevada, and gas and water services in Nevada. Total operating revenues for the year ended December 31, 1977 were \$154,528,000, of which \$14,740,000 or 10% were derived from California electric utility service.

Sierra Pacific, in accordance with its Dividend Reinvestment and Stock Purchase Plan, attached to the application as Appendix D and E, proposes to make available 500,000 shares of its common stock for purchase from time to time by holders of the company's common and/or preferred stock. The company was originally authorized by Commission Decision No. 84382 of April 29, 1975 in Application No. 55614 to issue 300,000 shares of its common stock.

The purpose of Sierra Pacific's Dividend Reinvestment and Stock Purchase Plan is to provide its shareholders with a simple and convenient method of investing their cash dividends and/or making optional cash investments to purchase additional

shares of common stock at a price equal to the market value<sup>1/</sup> without payment of any brokerage commission or service charge. Since such additional shares will be purchased directly from the company, the funds received will be used by the utility for its continuing construction program.

As of December 31, 1977, Sierra Pacific had outstanding bank loans and commercial paper aggregating \$10,600,000. Such bank loans and commercial paper were obtained to finance in part the company's construction program. Bank loans may be increased to some extent before the consummation of the proposed new financing of common stock in order to carry on the company's new construction program.

Sierra Pacific's actual construction program as of November, 1977, and estimated for the year 1978, is as follows:

<u>Department</u>	<u>Actual as of November, 1977</u>	<u>1978</u>
Electric	\$34,719,000	\$61,861,000
Gas	2,388,000	3,331,000
Water	3,949,000	5,849,000
Common Plant	<u>376,000</u>	<u>1,645,000</u>
Total	<u>\$41,432,000</u>	<u>\$72,686,000</u>

Sierra Pacific's capitalization as of November 30, 1977, and as adjusted to give effect to the proposed security issue is summarized as follows:

<u>Capitalization</u>	<u>November 30, 1977</u>		<u>Adjusted<sup>a/</sup></u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Long-Term Debt	\$170,685,000	52.3%	\$170,685,000	51.2%
Preferred Stock	39,025,000	12.0	39,025,000	11.7
Common Stock Equity	<u>116,553,000</u>	<u>35.7</u>	<u>123,553,000</u>	<u>37.1</u>
Total	<u>\$326,263,000</u>	<u>100.0%</u>	<u>\$333,263,000</u>	<u>100.0%</u>

a/ Assumes net proceeds of \$14.00 per share from sale of common stock.

<sup>1/</sup> On February 6, 1978, Sierra Pacific's common stock closed at 13-5/8.

The Finance Division of the Commission staff has reviewed the company's Dividend Reinvestment and Stock Purchase Plan and the proposal and has concluded that the proceeds from the proposed sale of common stock are needed for the purpose of construction financing and are necessary to accommodate Sierra Pacific's cash requirements.

The Operations Division of the Commission staff has reviewed Sierra Pacific's construction program and has concluded that the expenditures forecasted for 1978 are not unreasonable.

After consideration the Commission finds that:

1. The proposed issue of common stock would be for a proper purpose.
2. Sierra Pacific has need for external funds for the purpose set forth in this proceeding.
3. The Dividend Reinvestment and Stock Purchase Plan would not be adverse to the public interest.
4. The money, property or labor to be procured or paid for by 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. There is no known opposition. A public hearing is not necessary. Because of time commitments related to the issuance of the common stock, Sierra Pacific has informally, as well as formally, requested an order effective upon payment of the prescribed fee.

In issuing our order herein, 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 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.

O R D E R

IT IS ORDERED that:

1. Sierra Pacific Power Company, on or after the effective date hereof, may issue and sell not exceeding 500,000 shares of its common stock of \$3.75 par value per share to be offered to its holders of record of shares of common and/or preferred stock in accordance with the terms of the Dividend Reinvestment and Stock Purchase Plan set forth in Appendix D, attached to the application.

2. Sierra Pacific Power Company shall use the proceeds from the issuance and sale of the common stock herein authorized for the purpose of financing construction.

3. On or before the twenty-fifth day of the month following each quarter, Sierra Pacific Power Company shall file with the Commission a statement for the preceding quarter showing the number of shares of common stock issued and sold under the Dividend Reinvestment and Stock Purchase Plan, the price or prices at which such shares were issued, the total proceeds received and the purpose for which the proceeds were used. These filings shall be in lieu of reports under General Order No. 24-B.

4. This order shall become effective when Sierra Pacific Power Company has paid the fee prescribed by Section 1904.2 of the Public Utilities Code, which fee is \$1,400.

Dated at San Francisco, California, this 7<sup>th</sup> day of MARCH, 1978.

Robert B. ...  
President  
William ...  
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... ..  
... ..  
Commissioners

