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Decision No. 89001 JUN 27 1978

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	SIERRA PACIFIC POWER COMPANY for an)	Application No. 58025
Order authorizing it to issue an)	additional 100,000 shares of common)	(Filed April 24, 1978)
stock, \$3.75 par value, pursuant to)	its Employee Stock Purchase Plan.)	

O P I N I O N

Sierra Pacific Power Company (Sierra Pacific) seeks authority to issue an additional 100,000 shares of \$3.75 par value common stock, pursuant to its Employee Stock Purchase Plan (Plan).

Sierra Pacific is a public utility providing electric service in California and Nevada, and gas and water services in Nevada. Operating revenues for the year ended December 31, 1977 totalled \$155,288,080, of which \$14,740,000, or 9.49%, came from California electric utility operations.

By Decision No. 69111, dated May 25, 1965 in Application No. 47559, Sierra Pacific was authorized to issue 100,000 shares of common stock to employees in accordance with the Plan, which was originally effective June 1, 1965 and has since been amended. The company had reserved 200,000 shares for participating employees, but limited its request in Application No. 47559 because the anticipated number of shares to be issued under the Plan would not exceed 100,000 for several years. The utility's 1977 annual report to the Commission shows a balance of 109,386 reserved shares as of December 31, 1977.

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In the present application, Sierra Pacific now proposes to issue an additional 100,000 shares of common stock to qualified employees. Twice each year, at the beginning of designated six-month payment periods, the utility would grant to each eligible employee who was 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 was granted, or on the last preceding day such quotations are available; but in no event would the option price be less than the par value of such shares. Participating employees would save regularly by payroll deductions up to, but not exceeding, 15% of their base pay.

At the end of each six-month period the accumulated savings would be used either to purchase reserved shares directly from Sierra Pacific or, should the market price on the date of purchase be less than the option price, to purchase shares of Sierra Pacific's common stock in the open market at the current market price. Any brokerage commissions in connection with such purchases are to be paid by the utility. The formula for fixing the option price, and the manner of exercise of the option, are prescribed by Section 423 of the Internal Revenue Code. The Plan, which is fully described in Appendix D, was designed to encourage employee participation in ownership of the utility and thereby provide incentives for efficient performance and continuation of employment.

Proceeds derived from the sale would be used either to reimburse the treasury for capital expenditures incurred in the construction, completion, extension or improvement of utility properties, or for direct expenditures on such improvements, or for the redemption of obligations incurred for the purpose of financing such capital outlays. Budgeted construction for the year 1978 is as follows:

<u>Department</u>	<u>Amount</u>
Electric Department	\$61,861,000
Gas Department	3,329,000
Water Department	5,834,000
Common Plant	<u>1,640,000</u>
Total	<u>\$72,664,000</u>

Assuming that the remaining 109,386 shares of common stock reserved for issuance under the Plan are sold at a price of \$14 per share,^{1/} Sierra Pacific's pro forma capital ratios as of December 31, 1977 would be as follows:

<u>Component</u>	<u>Dec. 31, 1977 Pro-Forma</u>
Long-Term Debt	48.60%
Short-Term Debt	3.20
Preferred Stock	11.77
Common Stock Equity	<u>36.43</u>
Total	<u>100.00%</u>

The Finance Division of the Commission staff has reviewed the application and has concluded that the proceeds from the proposed sale of common stock in connection with the Plan are needed for the purposes specified.

^{1/} On May 19, 1978, Sierra Pacific's common stock closed at 13-1/4.

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 proper purposes.
2. Sierra Pacific has need for external funds for the purposes set forth in the application.
3. The Employee 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 purposes specified herein, which purposes are 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 and no reason to delay granting the applicant's request. A public hearing is not necessary. Because of the time element relative to issuance of the common stock, Sierra Pacific has 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 the applicant 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 applicant'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:

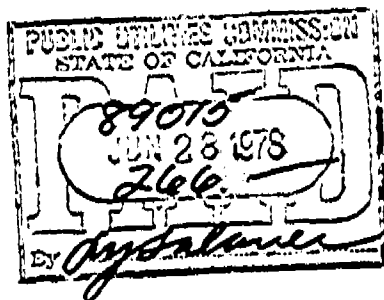
1. Sierra Pacific Power Company, on or after the effective date hereof, may issue and sell from time to time not exceeding an additional 100,000 shares of its common stock substantially in accordance with the Employee Stock Purchase Plan, a copy of which is attached to the application as Appendix D.

2. Sierra Pacific Power Company shall use the net proceeds from the sale of the stock for the purposes specified in the application.

3. On or before the twenty-fifth day of the month following each date of issuance, Sierra Pacific Power Company shall file with the Commission a statement showing the number of shares issued pursuant to the authority herein granted, the gross proceeds received, the expenses of the issue, and the purposes for which the net proceeds were used. Such filings shall be made in lieu of reports required 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 \$266.

Dated at San Francisco, California, this 27th day of JUNE 7, 1978.



President
William Squared
Vernon L. Steegen
Richard D. Smith
Clair L. Smith
Commissioners

Commissioner Robert Batinovich, being necessarily absent, did not participate in the disposition of this proceeding.