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Decision No. 89401 SEP 19 1978

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SIERRA PACIFIC POWER)
COMPANY for an order authorizing it)
to issue and sell, by competitive)
bidding, not exceeding 1,000,000)
shares of its Common Stock with a)
par value of \$3.75 each share.)

Application No. 58262
(Filed July 28, 1978)

O P I N I O N

Sierra Pacific Power Company (Sierra Pacific) requests authority, pursuant to Sections 816-825 and 851 of the Public Utilities Code, to issue and sell, by competitive bidding, not exceeding 1,000,000 shares of its \$3.75 par value common stock.

Sierra Pacific is a public utility providing electric service in California and Nevada, and gas and water services in Nevada. For the twelve months ended June 30, 1978, the utility reported operating revenues and net income in the respective amounts of \$151,324,933 and \$16,721,810.

As of June 30, 1978, Sierra Pacific had outstanding bank loans and commercial paper aggregating \$28,500,000. Such bank loans and commercial paper were obtained to finance, in part, the utility's construction program. Bank loans may be increased to approximately \$40,000,000 before the consummation of the proposed new issuance of common stock in order to carry on the utility's new construction program. Proceeds from the proposed issue of common stock will be used by applicant to reduce outstanding short-term bank loans.

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Sierra Pacific's estimated construction program for the years 1978 and 1979 is as follows:

	<u>1978</u>	<u>1979</u>
Electric Department	\$62,149,000	\$86,399,000
Gas Department	3,330,000	4,530,000
Water Department	5,849,000	5,378,000
Common Plant	<u>1,645,000</u>	<u>360,000</u>
Total Estimated Program	<u>\$72,973,000</u>	<u>\$96,667,000</u>

Sierra Pacific's capitalization as of June 30, 1978, and as adjusted to give effect to the proposed security issue assuming net proceeds to the company of \$14.50 per share^{1/} after underwriters discount, but before other costs of issuance, estimated to be \$100,000, is as follows:

<u>Item</u>	<u>Recorded</u>	<u>Pro Forma</u>
Long-Term Debt	45.23%	45.23%
Short-Term Debt	8.14	4.00
Preferred Stock	11.15	11.15
Common Stock Equity	<u>35.48</u>	<u>39.62</u>
Total	<u>100.00%</u>	<u>100.00%</u>

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

The Operations Division of the Commission's staff reviewed Sierra Pacific's construction program and has concluded that the expenditures forecasted for 1978 and 1979 are not unreasonable;

^{1/} On August 8, 1978, Sierra Pacific's common stock closed at 14-3/8.

such conclusion should not, however, preclude a further determination of the reasonableness of the construction expenditures in any future rate proceeding.

After consideration the Commission finds that:

1. The proposed issue of common stock is for proper purposes.
2. Sierra Pacific has need for external funds for the purposes set forth in the application.
3. 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 requests that the order become effective on the date hereof.

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 and on or before December 31, 1978, may issue and sell, through competitive bidding, not exceeding 1,000,000 shares of its common stock of \$3.75 par value, upon the terms and conditions and for the purpose set forth in the application.

2. Sierra Pacific Power Company shall apply the proceeds from the sale of common stock to the purpose referred to in the application.

3. Promptly after awarding the contract for the sale of common stock, Sierra Pacific Power Company shall file a written report to the Commission, showing as to each bid received, the name of the bidder and the price.

4. As soon as available, Sierra Pacific Power Company shall file with the Commission three copies of its final Prospectus pertaining to the common stock herein authorized.

5. Sierra Pacific Power Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 19th day
of SEPTEMBER, 1978.

Ralph B. ...
President

William ...

Thomas L. ...

Charles ...

Clair ...
Commissioners