

A.59566 RR/mcm

Decision No. 91719

APR 29 1980

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 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 No. 59566
 (Filed April 2, 1980)

O P I N I O N

Sierra Pacific Power Company (Sierra Pacific) seeks authority, pursuant to Sections 816 through 818 of the Public Utilities Code, to issue and sell not exceeding 1,500,000 shares of its common stock having a par value of \$3.75 per share. Notice of the filing of the Application was published on the Commission's Daily Calendar of April 3, 1980.

Sierra Pacific is a Nevada corporation engaged in providing public utility electric service in California and electric, gas and water services in Nevada. For the 12 months ended December 31, 1979, Sierra Pacific reported it generated total operating revenues amounting to \$178,326,000 of which \$22,556,000 or approximately 12.65% were derived from California electric operations. During this period, the utility reported net income of \$21,681,000.

Sierra Pacific proposes to offer the additional 1,500,000 shares of common stock by agreement with the underwriters at a price to be determined at least one day prior to issuance of the stock. In the event the market price at that time is lower than contemplated Sierra Pacific seeks authority to defer the offer to a later date, not, however, beyond September 30, 1980.

As of December 31, 1979, Sierra Pacific had outstanding short-term loans aggregating \$25,500,000 and as of February 20, 1980, had an outstanding balance of \$36,500,000. The company proposes to apply the proceeds from the sale of its common stock, in part, to

repay the company's bank loans, to reimburse its treasury for construction expenditures heretofore made, and to help finance its construction program.

The utility estimates that the gross expenditures required for its construction program during calendar years 1980 and 1981 will approximate \$184,600,000 estimated as of November, 1979. A summary of the utility's planned construction follows:

	<u>1980</u>	<u>1981</u>	<u>Total</u>
Electric Department	\$86,200,000	\$67,900,000	\$154,100,000
Gas Department	2,200,000	2,100,000	4,300,000
Water Department	6,100,000	6,400,000	12,500,000
Common Plant	<u>2,700,000</u>	<u>11,000,000</u>	<u>13,700,000</u>
Total	<u>\$97,200,000</u>	<u>\$87,400,000</u>	<u>\$184,600,000</u>

The staff of the Commission's Revenue Requirements Division has reviewed Sierra Pacific's 1980 and 1981 construction program and believes that the estimated construction expenditures are reasonable and has no objection to the proposed security issue specified in the application. The Division reserves the right, however, to reconsider the reasonableness of any construction expenditures in future rate proceedings.

Sierra Pacific's capital ratios as of December 31, 1979, and as adjusted for (a) the issuance and sale of 1,500,000 shares of common stock at an assumed price of \$12.50 per share to provide net proceeds of \$18,750,000, (b) an increase of \$16,150,000 in short-term borrowings and the issuance and sale of 600,000 shares of Preferred shares, \$50 par value to provide net proceeds of \$30,000,000^{1/} as follows:

	<u>December 31, 1979</u>	<u>Pro Forma</u>
Long-Term Debt	48.4%	42.4%
Short-Term Debt	<u>6.1</u>	<u>7.6</u>
Total Debt	54.5	50.0
Preferred Stock	9.4	14.5
Common Equity	<u>36.1</u>	<u>35.5</u>
Total	<u>100.00%</u>	<u>100.0%</u>

^{1/} Decision No. _____, dated _____, in Application No. 59498.

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

Findings of Fact

1. Sierra Pacific is a corporation organized under the laws of the State of Nevada.
2. Sierra Pacific for the year 1979 derived 12.65% of its total operating revenue in the State of California.
3. The proposed issue of common stock would be for proper purposes.
4. Sierra Pacific has need for external funds for the purposes set forth in the application.
5. The proposed financing set forth herein would not be adverse to the public interest.
6. The money, property or labor to be procured or paid for by the issue and sale of common stock is reasonably required for the purposes specified in the application, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.
7. There is no known opposition 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 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 a measure of 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 value of the company's stock or properties nor as indicative of the amount 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 may issue on and after the effective date hereof and on or before September 30, 1980 not exceeding 1,500,000 shares of its common stock, \$3.75 par value, through underwriters at a price to be determined at least one day prior to issuance, with the right to defer issuance and sale to a later date within the period set forth hereinabove if the market price of applicant's common stock at or about the date of the proposed issuance and sale is lower than contemplated by applicant.
2. Sierra Pacific Power Company shall use the net proceeds from the issuance of its common stock herein authorized for the purposes specified in the Application.
3. 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.

4. On or before the 15th day of each month, Sierra Pacific Power Company shall file with the Commission promptly after the issuance and sale of common stock as herein authorized a statement setting forth the underwriting commission and the price paid to the company for the issuance of such stock.

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.

6. This order shall become effective when Sierra Pacific Power Company has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$3372.

Dated APR 29 1980, at San Francisco, California.

John E. Bayon

President

Richard W. Swick

Clair T. DeLoach

Samuel M. Smith

Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
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APR 29 1980
3372.
By *[Signature]*