

RR/mcm

Decision No. 92250 SEP 16 1980

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 (a) to sell)
 and issue, by competitive bidding,)
 from \$30,000,000 but not exceeding)
 \$100,000,000 principal amount of)
 First Mortgage Bonds; ___% Series)
 due _____, and (b) to)
 execute a Twenty-third Supplemental)
 Indenture as of _____, 1980,)
 supplementing the Indenture of)
 Mortgage dated December 1, 1940)

ORIGINALApplication No. 59862
(Filed August 6, 1980)O P I N I O N

Sierra Pacific Power Company (Sierra Pacific) seeks authorization from this Commission (a) to issue and sell through competitive bidding, at a date to be determined by the company but not later than the close of 1980, First Mortgage Bonds (Bonds), in an aggregate principal amount of not to exceed \$40,000,000^{1/} and (b) to execute and deliver a Twenty-second Supplemental Indenture to Applicant's existing Indenture of Mortgage dated December 1, 1940. Sierra Pacific requests this authority pursuant to Sections 816-830 and 851-854 of the Public Utilities Code. Notice of the filing of the application was published on the Commission's Daily Calendar of August 11, 1980. No protests have been received.

Sierra Pacific is a Nevada corporation engaged in public utility electric operations in California and in Nevada. For the year 1979 its reported total operating revenues amounted to \$178,326,000 of which \$22,556,000 (approximately 13%) were derived from California operations.

^{1/} By letter dated September 8, 1980, applicant determined the amount of the Bonds to be \$40,000,000, and substituted the Twenty-second Supplemental Indenture for the Twenty-third.

Applicant's estimated construction program for the years 1980, 1981 and 1982 shows total estimated expenditures of \$120,431,000, \$106,875,000, and \$96,778,000, respectively, and is as follows:

	<u>1980</u>	<u>1981</u>	<u>1982</u>
Electric Department	\$106,291,000	\$ 84,014,000	\$77,754,000
Gas Department	3,236,000	3,101,000	4,563,000
Water Department	8,086,000	8,418,000	9,047,000
Common Facilities	<u>2,818,000</u>	<u>11,342,000</u>	<u>5,414,000</u>
Total Estimated Program	<u>\$120,431,000</u>	<u>\$106,875,000</u>	<u>\$96,778,000</u>

The staff of 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 expenditures in future rate proceedings.

The company sets forth in its application that the funds from the proposed financing will be used to pay outstanding short-term debt in 1980 in the amount of \$30,000,000 and to meet anticipated cash expenditures during the first half of 1981 in connection with the construction of two 250 MW coal-fired generating plants in the County of Humboldt, Nevada.

The proposed issue of First Mortgage Bonds, Series S, due 2010, would be based on the following conditions or guidelines:

The cost of money resulting from any bid shall be the yield based on the interest rate and the price (exclusive of accrued interest) specified in such bid determined for a 30-year maturity by reference to a specially prepared Table of Bond Yields. Straight-line interpolation will be applied if necessary. If it should be necessary to make such a determination for an interest rate not shown in said Table of Bond Yields, reference will be made to other tables of yields prepared in accordance with generally accepted financial practice. The decision of the Company with respect to the lowest cost of money shall be final.

The Bonds will be subject to a five-year restricted redemption provision, after which are to be subject to redemption at the option of Sierra Pacific.

According to the application current interest rates for this type of issue for an "A" rated company such as Sierra Pacific would be in the range of 12.50% to 12.75%.

It is proposed that the term of the proposed Bonds be 30 years to maturity, that the Bonds be issued all at the same time, and be issued by December 31, 1980, as determined by the company according to its best judgment.

Sierra Pacific proposes publicly to invite sealed bids for purchase of the Bonds during the period indicated, in accordance with the conditions set forth in the application.

As indicated above proceeds from the sale (exclusive of accrued interest) would be used to repay a portion of outstanding short-term notes issued for temporary financing of capital additions and improvements to Sierra Pacific's utility plant. Accrued interest would be used for general corporate purposes.

The Revenue Requirements Division has reviewed the application and concludes that the proposed Bond sale is necessary partially to reimburse the treasury for capital expenditures and to refund short-term notes issued for temporary financing construction.

Findings of Fact:

1. Sierra Pacific is a corporation organized under the laws of the State of Nevada.
2. Sierra Pacific derives 87% of its operating revenues from business conducted in the State of Nevada, and 13% from California.
3. The proposed Bond issue is for proper purposes.
4. Sierra Pacific has need for external funds for the purposes set forth in the application.

5. The money, property or labor to be procured or paid for by the issue of the Bonds herein authorized is reasonably required for the purposes specified herein, which purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income.

6. There is no known opposition to Sierra Pacific's 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.

The action taken herein is for the purposes of this proceeding only and is not to be construed 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 may issue and sell, at competitive bidding, not later than December 31, 1980, its First Mortgage Bonds, Series S, due in 2010, in an aggregate amount not to exceed \$40,000,000, at the price offered in a bid which shall provide the lowest annual cost of money to the utility calculated in the manner provided in the application.

2. Sierra Pacific Power Company shall use the net proceeds from the sale of said Bonds for the purposes referred to in the application. The accrued interest related to the Bonds may be used for such purposes, or for general corporate purposes.

3. Promptly after awarding the contract for the sale of said Bonds, Sierra Pacific Power Company shall file a written report with the Commission showing, as to each bid received, the name of the bidder, the price, the interest rate and the cost of money to the company based on such price and interest rate.

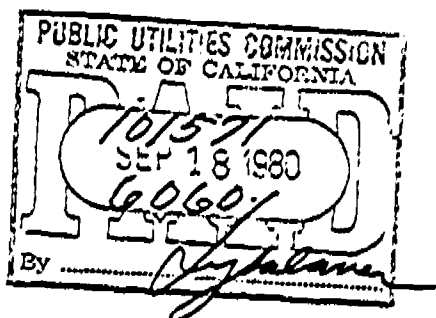
4. As soon as available, Sierra Pacific Power Company shall file with the Commission three copies of its final Prospectus pertaining to said Bonds.

5. Sierra Pacific Power Company is authorized to execute and deliver a Twenty-second Supplemental Indenture to its existing Indenture of Mortgage dated December 1, 1940.

6. 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.

This Order shall become effective when Sierra Pacific Power Company has paid the fee required by Section 1904(b) of the Public Utilities Code, which fee is \$6,060.

Dated SEP 16 1980, at San Francisco, California.



John E. Guyer
President

Veronica S. Sturgeon

Richard D. Muehle

Clay T. DeWitt

Donald L. Smith
Commissioners