

92808 MAR 17 1981

ORIGINAL

Decision No. _____

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 under-)
 writers.)

Application No. 60268
 (Filed February 19, 1981)

O P I N I O N

Sierra Pacific Power Company (Sierra Pacific) requests authority, pursuant to Sections 816-825 of the Public Utilities Code, to issue and sell not to exceed 1,500,000 shares of its \$3.75 par value common stock. Notice of the filing of the application was published on the Commission's Daily Calendar of February 23, 1981. No protests have been received.

Sierra Pacific is a public utility providing electric service in California and Nevada, and gas and water services in Nevada. For the year 1980, the utility reported gross operating revenues of \$233,943,000, of which \$24,842,000, or approximately 10.62% was derived from California operations. Its reported net income for 1980 was \$22,089,000.

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 the time is lower than contemplated, Sierra Pacific seeks authority to defer the offer to a later date.

As of December 31, 1980, Sierra Pacific had outstanding bank loans and commercial paper aggregating \$19,500,000. Such bank loans and commercial paper were obtained to finance, in part, the utility's construction program. According to the application, it

is expected that bank loans and commercial paper will be increased to approximately \$39,000,000 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 repay a portion of its bank loans and commercial paper, to reimburse its treasury for construction expenditures heretofore made, and to finance in part its construction program now in progress and proposed during 1981.

Sierra Pacific's estimated construction program for the years 1981 and 1982 is as follows:

	<u>1981</u>	<u>1982</u>
Electric Department	\$ 89,105,000	\$85,847,000
Gas Department	4,172,000	4,301,000
Water Department	6,016,000	6,110,000
Common Plan	<u>1,411,000</u>	<u>1,300,000</u>
Total Estimated Program	<u>\$100,704,000</u>	<u>\$97,558,000</u>

The staff of the Commission's Revenue Requirements Division has reviewed Sierra Pacific's 1981 and 1982 construction program and believes 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.

Sierra Pacific's capital ratios as of December 31, 1980, and as adjusted to give effect (a) to additional short-term borrowings and retirements, (b) to the proposed sale of \$60,000,000 First Mortgage Bonds^{1/} in April 1981 and (c) to the issuance and sale of 1,500,000 shares of common stock assuming net proceeds to the company

^{1/} Application No. 60269, filed on February 19, 1981.

of \$12.00 per share^{2/} to provide net proceeds of \$18,000,000, are as follows:

<u>Item</u>	<u>Recorded</u>	<u>Pro Forma</u>
Long-Term Debt	47.57%	49.63%
Short-Term Debt	3.89	.20
Preferred Stock	13.76	13.25
Common Stock Equity	<u>34.78</u>	<u>36.92</u>
Total	<u>100.00%</u>	<u>100.00%</u>

The Revenue Requirements Division of the Commission's staff has analyzed the utility's cash requirement forecast 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 Nevada corporation furnishing electric service in California and electric, gas and water service in Nevada.
2. In 1980 Sierra Pacific derived 10.62% of its operating revenues from business conducted in California.
3. The proposed stock issue and sale of 1,500,000 shares of the company's common stock 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 issuance and sale of the stock herein authorized³ 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.
6. There is no known opposition and no reason to delay granting the authority requested.

^{2/} On February 26, 1981, Sierra Pacific's common stock closed at \$12.25.

Conclusions of Law

1. A public hearing is not necessary.
2. The application should be granted as 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 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 September 30, 1981, may issue and sell not to exceed 1,500,000 shares of its common stock of \$3.75 par value, upon the terms and conditions and for the purposes set forth in the application.

2. Sierra Pacific Power Company shall apply the proceeds for the sale of common stock to the purposes set forth in the application.

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

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.

6. This order shall become effective when Sierra Pacific Power Company has paid the fee prescribed in Section 1904(b) of the Public Utilities Code, which fee is \$2,912.

Dated MAR 17 1981, at San Francisco, California.

John S. Gurnea
President
Richard A. J. [unclear]
Donald W. [unclear]
Victor Calver

Commissioners

