DECISION MEMORANDUM

TO:COMMISSIONERNELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

STEPHANIE MILLER

DAVID SCHUNKE

DON HOWELL

SUSAN HAMLIN

BEVERLY BARKER

GARY RICHARDSON

TONYA CLARK

WORKING FILE

FROM:TERRI CARLOCK

DATE:APRIL 5, 1996

SUBJECT:PACIFICORP $250 MILLION PREFERRED STOCK AUTHORITY

CASE NO. PAC-S-96-2

RECOMMEND:APPROVAL WITH CHANGE IN RATING STANDARD

PacifiCorp requests authority to issue and sell or exchange up to $250 Million in preferred stock, in one or more offerings for an unspecified amount of time.  This authority would replace the $250 Million preferred stock authority that expired 12/31/95 in

Case No.  PAC-S-94-2.

The type of issue (i.e. fixed or floating, perpetual or maturing) and the terms of issue including dividend rate will be determined at the date of issue.  PacifiCorp will notify the Commission Staff of the terms as soon as practical before issuance.  The type of issue will be based on the all-in costs and benefits of the alternatives.  The current dividend rate is estimated at 6.75% for a 30-year final maturity with a sinking fund provision.  The current dividend rate for perpetual fixed rate No Par Serial Preferred is estimated at 7%.

The underwriters compensation fee is estimated at 3.15% of the aggregate principal amount of preferred issued and other issuance expenses are estimated at $550,000.  These expenses include:

Securities and Exchange Commission fees$86,300

Regulatory agency fees1,000

Company’s counsel fees100,000

Underwriters’ counsel and other expenses150,000

Accounting fees30,000

Printing fees75,000

Rating agency fees50,000

Stock Exchange listing fees25,650

Miscellaneous costs    32,050

           TOTAL$550,000

Proceeds from the preferred issuances will be utilized for general utility purposes including improvement or maintenance of service or facilities, construction purposes, acquisition of utility property, discharge or refunding of existing issuances or to reimburse the Company’s treasury.  As of December 31, 1995 PacifiCorp had expended over $553 Million from Treasury funds for utility purposes not covered by other issuances.

At December 31, 1995 PacifiCorp’s capital structure consisted of 48.3% common equity, 7% preferred stock and 44.7% debt.   If the full $750 Million authority in

PAC-S-96-1 and the full $250 Million preferred in this case were issued at once, the proforma capital structure would consist of 42.2% common equity, 9.2% preferred stock and 48.6% debt.  The availability of the authority to meet requirements is the important consideration at this time and the probability of the full amounts being issued at one time is remote.

STAFF DISCUSSION AND RECOMMENDATION

PacifiCorp requests the debt authority be continuous and remain effective as long as PacifiCorp’s senior secured debt rating is BBB or higher from at least two nationally recognized rating agencies.  Historically, the standard authority has been for 2 years.   Currently PacifiCorp is rated A3 by Moody’s, A- by Standard & Poor’s and A- by Duff and Phelps.  The Commission in PAC-S-96-1 set the rating guideline at A- and will allow PacifiCorp 60 days from the date less than two nationally recognized rating agencies have the senior secured debt rated at or above A- to show why the continued authority for unissued amounts is reasonable and should not be terminated.

COMMISSION DECISION

Should authority to issue or exchange $250 Million in preferred be approved?

Should the authority be continuous as long as the rating for PacifiCorp Senior Secured Debt is A- or higher by two or more nationally recognized rating agencies and provide PacifiCorp the opportunity to show why the authority should continue if the ratings fall below A- as in PAC-S-96-1?

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Terri Carlock

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