DECISION MEMORANDUM

TO:COMMISSIONER NELSON

COMMISSIONER SMITH

COMMISSIONER HANSEN

MYRNA WALTERS

DON HOWELL

STEPHANIE MILLER

DAVE SCHUNKE

SUSAN HAMLIN

GARY RICHARDSON

TONYA CLARK

BEV BARKER

WORKING FILE

FROM:TERRI CARLOCK

DATE:OCTOBER 25, 1996

RE:WASHINGTON WATER POWER COMPANY $150 MILLION SECURITY ISSUANCE, CASE NO.  WWP-U-96-1

RECOMMENDATION:  APPROVAL

Washington Water Power Company (Water Power) requests authority to issue up to $150 million individually or in combination of preferred stock, unsecured debt securities and/or subordinated deferrable interest securities.  Subordinated deferrable interest securities are debt funds issued through a special purpose subsidiary to receive the tax deduction that are treated as preferred securities on the balance sheet of the parent.  The type of issuance will be determined by Water Power based on the terms for each type of security at the time of issuance.

The proceeds from the issues will be used to retire or exchange outstanding issuances, fund construction projects or reimburse the treasury for prior expenditures.  The initial issuance expenses are estimated to total $145,080,450 for underwriting fees, SEC fees, regulatory fees, legal fees, trustee fees, auditor fees, rating agency fees, printing costs and miscellaneous costs.  The utility only capital structure as of June 30, 1996 consists of 49.82% debt, 8.16% preferred stock and 42.02% common equity.

STAFF RECOMMENDATION

Staff recommends approval of the shelf issuance for a combination of preferred stock, unsecured debt securities and/or subordinated deferrable interest securities.  Since the terms of issues are unknown, Water Power should be required to notify Staff of the terms of issue seven days prior to issuance or as soon as practicable.  This notice requirement is common for many shelf issuances.

COMMISSION DECISION

Should the authorization be approved?

Should Water Power be required to notify Staff of the terms prior to issuance?

Terri Carlock

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