

This is an electronic copy. Format and font may vary from the official version. Attachments may not appear.

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4193

In the Matter of)	
)	
PACIFICORP)	
)	ORDER
Application for Authority to Issue up to)	
50,000,000 Shares of its Common Stock to its)	
Parent)	

DISPOSITION: APPLICATION APPROVED;
WITH CONDITIONS

On September 30, 2002, Pacific Power & Light (PacifiCorp) filed an application with the Public Utility Commission (Commission) under ORS 757.415, seeking authority to issue up to 50,000,000 shares of Common Stock (Shares) to PacifiCorp Holdings, Inc. (PHI or Parent). PacifiCorp asks for authorization to issue the Shares, for cash, in such amounts and at such times as shall be determined by the Authorizing Officer without further Commission approvals. PacifiCorp believes that the issuances will assist it in maintaining its current investment grade credit ratings and may eliminate the negative outlooks. Additionally, the proposed issuances are intended to result in a capital structure consistent with that of other public utilities with similar credit ratings. The basis for the current request is detailed in Staff's recommendation memo, attached as Appendix A.

Based on a review of the application and the Commission's records, the Commission finds that this application satisfies applicable statutes and administrative rules. At its public meeting on October 15, 2002, the Commission adopted Staff's recommendation and approved PacifiCorp's current request.

ORDER

IT IS ORDERED THAT the application of PacifiCorp for authorization to issue up to 50,000,000 Shares of Common Stock to its Parent, is granted, subject to the following conditions:

1. PacifiCorp will file the usual Report of Securities Issued and Disposition of Net Proceeds promptly after the sale that will demonstrate reasonable issuance costs for each offering.
2. The Commission reserves the right to review all financial aspects of this arrangement in any rate proceeding or alternative form of regulation.
3. For ratemaking purposes, the Commission reserves judgment on the reasonableness of PacifiCorp's capital costs, capital structure and any commissions or expenses that might be incurred for issuance(s). In any future rate proceedings, PacifiCorp will be required to show that its capital costs and structure are just and reasonable.
4. PacifiCorp should demonstrate that exercising any call feature or early refunding of any security is cost-effective.

Made, entered and effective _____.

BY THE COMMISSION:

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

ITEM NO. CA3

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 15, 2002**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____

DATE: October 31, 2002

TO: John Savage through Marc Hellman and Bryan Conway

FROM: Thomas D. Morgan

SUBJECT: PACIFIC POWER & LIGHT: (Docket No. UF 4193) Application for Authority to Issue up to 50,000,000 Shares of Common Stock to its Parent.

STAFF RECOMMENDATION:

I recommend that the Commission approve Pacific Power & Light's (Pacific or Company) application subject to the following conditions:

1. The Company will file the usual Report of Securities Issued and Disposition of Net Proceeds promptly after the sale that will demonstrate reasonable issuance costs for each offering.
2. The Commission reserves the right to review all financial aspects of this arrangement in any rate proceeding or alternative form of regulation.
3. For ratemaking purposes, the Commission reserves judgment on the reasonableness of the Company's capital costs, capital structure and any commissions or expenses that might be incurred for issuance(s). In any future rate proceedings, the Company will be required to show that its capital costs and structure are just and reasonable.
4. The Company should demonstrate that exercising any call feature or early refunding of any security is cost-effective.

DISCUSSION:

On September 30, 2002, Pacific filed an application seeking authority to issue 50 million shares of Common Stock (Shares) to PacificCorp Holdings, Inc. (PHI or Parent). The Company provided supplemental information to complete this filing under ORS 757.415 and indicated that uses would be consistent with ORS 757.415 (1) [a through e].¹

¹ Purposes allowed by law include the acquisition of utility property, the construction, extension or improvement of utility facilities, the improvement or maintenance of service, the discharge or lawful refunding of obligations that were incurred for utility purposes (such as higher cost debt or preferred stock) or the reimbursement of the Company's treasury for funds used for the foregoing purposes.

Pacific is wholly owned by PHI and indirectly owned by Scottish Power plc (ScottishPower), a public limited liability company in Scotland. ScottishPower owns all the outstanding common stock of PHI. On December 31, 2001, the stock was transferred from NA General Partnership (NAGP) to the newly formed, non-operating holding company, PHI. That transaction was the result of a reorganization authorized by the Commission in July, 2001 (Docket UM 1021; Order 01-573).

The Company asks for authorization to issue the Shares, for cash, in such amounts and at such times as shall be determined by the Authorizing Officer without further Commission approvals. Since the Company's outstanding shares are not actively traded, there is no market value from which to price the Shares. Therefore, following convention, the Shares will be sold based on the previous month's closing book value of common equity as reflected on the Company's consolidated financial statements. There will be minimal issuance, i.e., flotation, costs associated with each issuance. Such costs will be limited to administrative processing and legal costs. The current book value of equity was just under ten dollars (\$9.84 as of June 30, 2002) per share indicating the potential for about \$500 million to be raised from this offering.

The Company has had relatively stable credit ratings from both Moody's and Standard & Poor's, though there was a single-notch downgrade in late 2001. Although it has a negative outlook, indicating the chance of an additional downgrade, there is no indication or concern of downgrades below investment-grade.

The Company believes that the issuances will assist it in maintaining its current investment grade credit ratings and may eliminate the negative outlooks. Additionally, the proposed issuances are intended to result in a capital structure consistent with that of other public utilities with similar credit ratings.

Providing increased equity in the Company's capital structure is generally considered a positive approach to raising funds since dividend payments are not required. This equity issuance is considered favorable by Staff.

PROPOSED COMMISSION MOTION:

Pacific Power & Light's application, UF 4193, be approved subject to Staff's conditions.