

Service Date: April 25, 1986

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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|--------------------------------------|---|--------------------|
| IN THE MATTER of the Application |) | |
| of MONTANA POWER COMPANY for Ap- |) | UTILITY DIVISION |
| proval of a Lease Between the |) | DOCKET NO. 86.4.12 |
| Montana Power Company and Beneficial |) | ORDER NO. 5193 |
| Finance Corporation. |) | |
| |) | |

ORDER

FINDINGS OF FACT

1. On April 2, 1986, The Montana Power Company (Montana Power) filed a Motion for A Declaratory Ruling That Sale/Leaseback Arrangements Do Not Constitute Security, Or, In The Alternative, An Application For Approval of a Lease Between The Montana Power Company and Beneficial Finance Corporation. The application requests that, if the Commission believes that it must approve the lease transaction between Montana Power and Beneficial Finance Corporation, that it so approve the transaction.

2. The Commission believes that the proposed lease constitutes a security within the meaning of Mont. Code Ann. Section 69-3-501 (1985) and, therefore, it must approve the transaction.

3. Montana Power is contemplating the sale/leaseback of a building which will be used to contain computers and associated equipment. Montana Power has constructed the building and is preparing to sell it to Beneficial Finance Corporation for approximately \$2,000,000, which is the cost of construction (including capitalized interest). Montana Power will use the proceeds of the sale to pay down short-term debt. Montana Power will then enter into a 20-year lease of the building for approximately \$250,000 per year. Under the terms of the lease,

Montana Power shall have full responsibility for the maintenance, operation, repair and improvements in the building. Montana Power must carry all necessary insurance and pay all applicable taxes.

4. Montana Power shall have the option to renew the lease for periods of one to five years at the then prevailing fair market rental value. It shall also have the right to purchase the building at the end of the lease term for its fair market value.

CONCLUSIONS OF LAW

1. The Commission determines that the proposed sale/leaseback transaction constitutes the issuance of a security by the Montana Power Company.

2. The lease transaction, as the issuance of a security, should be approved pursuant to Section 69-3-501.

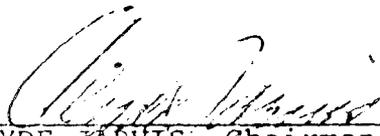
ORDER

IT IS HEREBY ORDERED THAT:

The sale/leaseback transaction between The Montana Power Company and Beneficial Finance Corporation, described above, is hereby approved.

DONE IN OPEN SESSION at Helena, Montana this 21st day of April, 1986, by a 4-1 vote.

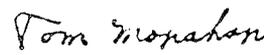
BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION



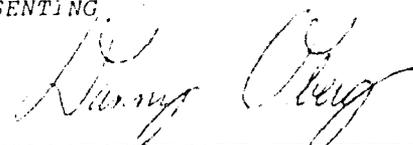
CLYDE JARVIS, Chairman



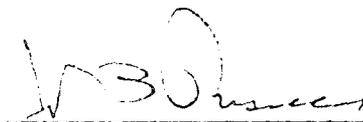
HOWARD L. ELLIS, Commissioner



TOM MONAHAN, Commissioner
DISSENTING.



DANNY OBERG, Commissioner



JOHN B. DRISCOLL, Commissioner

ATTEST:


Trena Scoffield
Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. Sec 38.2.4806, ARM.