

Service Date: October 7, 1986

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

* * * * *

IN THE MATTER Of The Application)
Of PACIFICORP dba PACIFIC POWER &)
LIGHT COMPANY For (1) Authority To)
Issue And Sell Not More Than) UTILITY DIVISION
\$200,000,000 Of Debt, (2) Author-) DOCKET NO. 86.9.49
ity To Enter Into A Credit Support) DEFAULT ORDER NO. 5229
Arrangement, And (3) Authority To)
Enter Into Currency Exchanges.)
_____)

On September 17, 1986, PacifiCorp dba Pacific Power & Light Company (Pacific), a corporation organized and existing under and by virtue of the laws of the State of Maine and qualified to transact business in Montana, filed with the Montana Public Service Commission its verified application, pursuant to Sections 69-3-501 through 69-3-507, MCA, requesting an order authorizing Pacific to issue and sell, in one or more public offerings or private placements, prior to December 31, 1988, fixed or floating rate debt (Debt) in the aggregate principal amount of not more than \$200,000,000 (or its equivalent amount in, or based upon, foreign currencies determined at the time of issue), authorizing it to enter into a letter of credit arrangement with one or more banks or such other agreements or arrangements if necessary or appropriate to provide additional credit support for the payment of the principal of, the interest on, and the premium (if any) on the Debt, and authorizing it to enter into one or more currency exchanges.

The application is supported by exhibits and data in accordance with the rules and regulations of the Commission governing the authorization of the issuance of securities by electric and gas utility companies operating within Montana.

For detailed information with respect to the general character of Pacific's business and the territories served by it, reference is made to its annual reports on file with the Commission.

The application sets forth Counsel who will pass upon the legality of the proposed issuance, the other regulatory authorizations required, and the propriety of the proposed issue.

At a regular open session of the Montana Public Service Commission held in its offices at 2701 Prospect Avenue, Helena, Montana, on October 6, 1986, there came before the Commission for final action the matters and things in Docket No. 86.9.49, and the Commission, having fully considered the application and all the data and records pertaining to it on file with the Commission and being fully advised in the premises, makes the following:

FINDINGS

1. Pacific is a corporation organized and existing under and by virtue of the laws of the State of Maine and is qualified to transact business in the State of Montana.

2. Pacific is operating as a public utility as defined in Section 69-3-101, MCA, and is engaged in furnishing electric and water service in Montana.

3. The Commission has jurisdiction over the subject matter of the application under Section 69-3-102, MCA.

4. Notice of the application was published as a part of the Commission's regular weekly agenda.

5. Pacific proposes to sell, in one or more public offerings or private placements, prior to December 31, 1988, fixed or floating rate debt in the aggregate principal amount of not more than \$200,000,000 (or its equivalent amount in, or based upon foreign currencies determined at the time of issue).

6. Pacific proposes to enter into a letter of credit arrangement with one or more banks or such other agreements or arrangements as may be necessary or appropriate to provide addi-

tional credit support for the payment of the principal of, the interest on, and the premium (if any) on the Debt.

7. Pacific also proposes to enter into one or more currency exchanges to effectively eliminate the currency risk if it issues its Debt denominated in, or based upon, foreign currencies.

8. The types of offerings contemplated by Pacific in its application include:

a. First mortgage bonds placed publicly or privately in the domestic market.

b. Floating rate debt placed publicly or privately in the domestic or foreign markets.

c. Eurodollar financings placed publicly or privately in Europe or Japan, perhaps supported by a letter of credit or other arrangement.

d. Foreign currency offering combined with a currency exchange.

9. First mortgage bonds have been the traditional debt financing vehicle utilized by utilities in the U.S. First mortgage bonds are secured by a mortgage on the fixed assets of the utility.

10. Floating rate debt is a dollar-denominated security which is typically unsecured, i.e., term loan agreements, with interest rates set on one, two, three or six month intervals at the option of Pacific. The most common indices used for pricing are based upon LIBOR and certificates of deposit.

11. Eurodollar financings are dollar-denominated securities issued to foreign investors. These securities are generally placed by a foreign underwriter or a foreign subsidiary of a U.S. investment or commercial bank. Eurodollar securities are generally unsecured obligations of the borrower. The issuer receives U.S. dollars at the time of issuance and makes all interest and principal payments in dollars. In addition, Pacific may be required to support its unsecured debt with a letter of credit from

one or more banks or such other agreements or arrangements as may be necessary or appropriate to provide additional credit support for the payment of the principal of, the interest on, and the premium (if any) on the Debt. It is anticipated that the annual fee associated with the credit support arrangement would be 30 to 40 basis points.

12. Foreign currency debt is debt denominated in a currency other than U.S. dollars. The currencies most frequently used by U.S. companies include Swiss francs, German marks, Japanese yen, and European Currency Units (ECU). Underwriters of these securities are similar to the group active in the Eurodollar market.

13. A foreign currency offering involves a degree of risk to a U.S. issuer because changes in the relationship between the value of the U.S. dollar and the foreign currency may increase the ultimate cost of the debt. Currency exchanges allow a party to make a series of payments in U.S. dollars in exchange for a series of payments in, or based upon, foreign currencies. Combining a foreign currency offering with a currency exchange effectively eliminates the currency risk by providing the issuer a stream of foreign currency payments equal to obligations on the foreign debt.

14. Offering, issuance, and administrative costs are expected to be less than 1.277 percent if first mortgage bonds or floating rate debt is sold. The costs associated with a Eurodollar financing and a foreign currency offering combined with a currency exchange are expected to be no more than 2.277 and 3.277 percent respectively. A dollar-denominated foreign offering with a credit support arrangement is expected to have costs no greater than 3.277 percent with an annual fee ranging from 30 to 40 basis points. Costs of this magnitude are not greater than customary fees for similar services and are reasonable given the cost of rendering the service.

15. The expected results of the offering and sale of the Debt is as follows:

ESTIMATED RESULTS OF THE FINANCING

	<u>Total</u>	<u>Per \$100</u>
Gross Proceeds	\$200,000,000	\$100.000
Less: Underwriting Fees Approximately 3%*	<u>\$ 6,000,000</u>	<u>\$ 3.000</u>
Proceeds Payable to Pacific	\$194,000,000	\$ 97.000
Less: Other Issuance Expenses	<u>555,000</u>	<u>0.277</u>
Net Proceeds to Pacific	<u>\$193,445,000</u>	<u>\$ 96.723</u>

*Assumes the higher level of fees associated with a foreign currency offering combined with a currency exchange.

16. The net proceeds of the issuance will be used to reimburse Pacific's treasury for funds expended from income and from other treasury funds that were not derived from the issuance of securities. The funds to be reimbursed were used in furtherance of one or more of the utility purposes authorized by Section 69-3-501, MCA. To the extent that the funds to be reimbursed were used for the discharge or refunding of obligations, those obligations or their precedents were originally incurred in furtherance of an utility purpose.

17. Issuance of the Debt proposed are part of an overall plan to finance the cost of Pacific's facilities taking into consideration prudent capital ratios, earnings coverage tests, and market uncertainties as to the relative merits of the various types of securities Pacific could sell.

18. The issuance of an order authorizing the proposed financing does not constitute agency determination/approval of any issuance-related ratemaking issues which issues are expressly reserved until the appropriate proceeding.

CONCLUSIONS

The proposed issuance of Debt to which the application relates will be for lawful objects within the corporate purposes of Pacific. The method of financing is proper.

The proposed credit support arrangement and the proposed currency exchanges to effectively eliminate currency risk of a foreign currency offering to which the application relates will be for lawful objects within the corporate purpose of Pacific.

The application should be approved.

ORDER

IT IS, THEREFORE, ORDERED by the Commission that:

1. The application of PacifiCorp dba Pacific Power & Light Company, filed on September 19, 1986, for authority to issue and sell, in one or more public offerings or private placements, prior to December 31, 1988, fixed or floating rate debt in the aggregate principal amount of not more than \$200,000,000 (or its equivalent amount in, or based upon, foreign currencies determined at the time of issue), pursuant to Sections 69-3-501 through 69-3-507, MCA, and to use the proceeds for normal utility purposes, is approved.

2. The application of PacifiCorp dba Pacific Power & Light Company to enter into a letter of credit arrangement with one or more banks or such other agreements or arrangements as may be necessary or appropriate to provide additional credit support for the payment of the principal of, the interest on, and the premium (if any) on the Debt, is approved.

3. The application of PacifiCorp dba Pacific Power & Light Company for authority to enter into one or more currency exchanges is approved.

4. PacifiCorp dba Pacific Power & Light Company shall file the following as they become available:

a. The "Report of Securities Issued" required by 18 CFR 34.10.

b. Verified copies of any agreement entered into in connection with the issuance of Debt pursuant to this order.

c. Verified copies of any credit support arrangement entered into pursuant to this order.

d. Verified copies of any currency exchange agreements entered into pursuant to this order.

e. A verified statement setting forth in reasonable detail the disposition of the proceeds of each offering made pursuant to this order.

5. Issuance of this order does not constitute acceptance of PacifiCorp dba Pacific Power & Light Company's exhibits or other material accompanying the application for any purpose other than the issuance of this order.

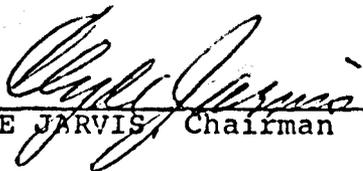
6. Approval of the transaction authorized shall not be construed as precedent to prejudice any future action of this Commission.

7. Section 69-3-507, MCA, provides that neither the issuance of securities by PacifiCorp dba Pacific Power & Light Company pursuant to the provisions of this order, nor any other act or deed done or performed in connection with the issuance, shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized, issued, assumed, or guaranteed.

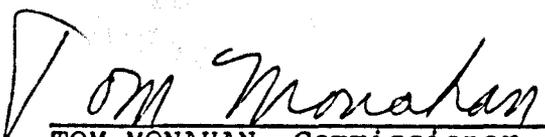
8. This order shall be effective upon execution.

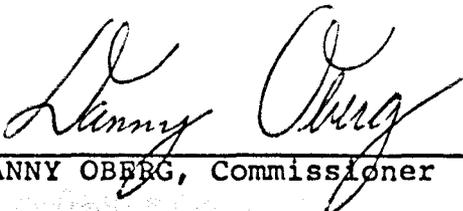
DONE IN OPEN SESSION at Helena, Montana, this 6th day of October, 1986, by a 5 to 0 vote.

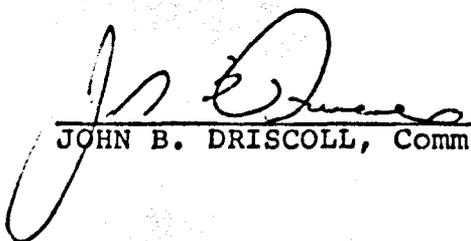
BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION


CLYDE JARVIS, Chairman

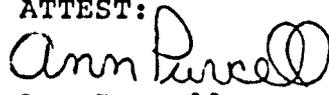

HOWARD L. ELLIS, Commissioner


TOM MONAHAN, Commissioner


DANNY OBERG, Commissioner


JOHN B. DRISCOLL, Commissioner

ATTEST:


Ann Purcell
Acting 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. See 38.2.4806, ARM.