

Service Date: August 19, 1988

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 ) UTILITY DIVISION  
to issue not more than \$55,000,000 ) DOCKET NO. 88.8.22  
of Debt pursuant to a Term Loan ) DEFAULT ORDER NO. 5353  
with a group of commercial banks. )

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On August 4, 1988, 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 amending authority granted in Docket No. 86.8.40 that allowed Pacific to issue unsecured promissory notes pursuant to an eight-year term loan with a group of banks which loan will bear a floating rate of interest for up to two years, with a fixed rate thereafter until maturity.

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.

At a regular open session of the Montana Public Service Commission held in its offices at 2701 Prospect Avenue, Helena,

Montana, on August 15, 1988, there came before the Commission for final action the matters and things in Docket No. 88.8.22, 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 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. In Docket No. 86.1.2 Pacific proposed to sell, in one or more public offerings or private placements, prior to December 31, 1987, fixed rate debt in the aggregate principal amount of not more than \$210,000,000 (or its equivalent amount in, or based upon foreign currencies determined at the time of issue).

6. On March 3, 1986, Pacific issued \$80,000,000 of 10-year first mortgage bonds at a coupon of 8 5/8 percent and a cost to the company of 8.79 percent.

7. On July 15, 1986, Pacific issued \$75,000,000 of 10-year first mortgage bonds at a coupon of 8 1/2 percent and a cost to the company of 8.80 percent.

8. On September 9, 1986, Pacific received authority to enter into an eight-year term loan with a group of banks, which loan

bears a floating rate of interest for up to two years, with a fixed rate thereafter until maturity.

9. On September 26, 1988, Pacific entered into an eight-year term loan facility (Loan) with Morgan Guaranty Trust Company of New York as Agent and participant, and a group of Japanese banks in an amount not to exceed \$55,000,000. The Loan bears interest at a floating rate until Pacific exercises its option to convert the Loan to a fixed rate. Pacific must fix the rate within two years, by September 26, 1988, or prepay the loan.

10. Pacific now proposes to revise the terms of the Loan to extend the floating rate period to the maturity of the Loan. Pacific will still have the ability to fix the rate or prepay the Loan at its option. This will permit Pacific the flexibility to prepay the Loan prior to maturity or to fix the interest rate on the Loan at a more favorable time. Until the time Pacific elects to either fix or prepay the Loan, the Loan will continue to be priced at LIBOR plus 35 basis points.

11. The proposed Loan provides Pacific with a source of longer term funding at attractive spreads over the fixed or floating rate market.

12. Pacific, at its option, will be able to let the interest rate on the Loan float for the maturity of the Loan thereby taking advantage of lower short-term rates and wait to fix the rate at a time when fixed rate debt costs are more attractive. The Company has the option to prepay the Loan at any time on an interest payment date.

13. The net proceeds of the Loan were 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 a utility purpose.

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

#### CONCLUSIONS

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

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 August 4, 1988, for authority to revise the terms of the unsecured promissory notes pursuant to a \$55,000,000 eight-year Term Loan with a group of commercial banks on terms consistent with those indicated by the Company in its application, pursuant to Sections 69-3-501 through 69-3-507, MCA, is approved.

2. PacifiCorp dba Pacific Power & Light Company shall file as soon as available a true copy of the amendment to the Term Loan Agreement.

3. 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.

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

5. 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.

6. This order shall be effective upon execution.

DONE IN OPEN SESSION at Helena, Montana, this 15th day of August, 1988, by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

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CLYDE JARVIS, Chairman

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HOWARD L. ELLIS, Commissioner

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JOHN B. DRISCOLL, Commissioner

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DANNY OBERG, Commissioner

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TOM MONAHAN, Commissioner

ATTEST:

Carol Frazier  
Commission 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 ARM 38.2.4806.