

Service Date: June 27, 1990

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

* * * * *

In the Matter of the Application of)	
PACIFICORP for authority to (1))	
borrow the proceeds of up to)	
\$70,000,000 of Pollution Control)	
Revenue Bonds to be issued by)	UTILITY DIVISION
Sweetwater County, Wyoming, and (2))	DOCKET NO. 90.6.33
enter into such agreements or)	AMENDED DEFAULT ORDER
arrangements with the County and)	NO. 5483a
with other entities as may be)	
reasonably necessary to effect the)	
borrowing and to provide credit)	
enhancement for the Bonds, including)	
letters of credit.)	
_____)	

On June 5, 1990, PacifiCorp (Company), a corporation organized and existing under and by virtue of the laws of the State of Oregon 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 the Company to (1) borrow proceeds up to \$70,000,000 of Pollution Control Revenue Bonds (Bonds) to be issued by the County of Sweetwater, Wyoming (County), and (2) enter into such agreements or arrangements with the County and with other entities as may be reasonably necessary to effect the borrowing and to provide credit enhancement for the Bonds, including letters of credit.

The borrowings will be in connection with the refunding of outstanding pollution control revenue bonds (Prior Bonds) that were issued to finance certain air and

water pollution control and solid waste disposal facilities at the Jim Bridger Generating Plant.

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 the Company'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 June 25, 1990, there came before the Commission for final action the matters and things in Docket No. 90.6.33., 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. PacifiCorp is a corporation organized and existing under and by virtue of the laws of the State of Oregon and is qualified to transact business in the State of Montana.
2. PacifiCorp is operating as a public utility as defined in Section 69-3-101, MCA, and is engaged in furnishing electric service in Montana.
3. Pursuant to a Plan of Reorganization and Merger, as amended, PacifiCorp, a Maine corporation, and Utah Power & Light Company, a Utah corporation, merged with and into the Company. The Company was incorporated under Oregon law in August 1987 for the purpose of facilitating consummation of the merger and changing the state of incorporation of PacifiCorp. The Company uses the assumed business name of either Pacific Power & Light Company or Utah Power & Light Company within

their respective service territories located in the states of Oregon, Utah, Washington, Idaho, Wyoming, Montana and California.

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

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

6. The County will issue the Bonds. The Company will enter into an agreement with the County pursuant to which it will receive the proceeds of such issuance and agree to make payments sufficient to pay principal of, interest on, and premium (if any) on the Bonds, and to cover certain additional expenses. The aggregate principal amount of the Bonds will not exceed \$70,000,000. In order to achieve the lowest cost of money, the Company also expects to enter into one or more agreements with unrelated third parties, such as commercial banks, to provide further assurance to the purchasers of the Bonds that the principal of, the interest on, and the premium (if any) on the Bonds will be paid timely.

7. The borrowings will be in connection with the refunding of the Prior Bonds, which were issued by the County to finance the Company's 66 2/3 percent ownership share of the Jim Bridger Generating Plant's (Plant) air and water pollution control and solid waste disposal facilities (Facilities). The Facilities consist principally of systems to remove and finally dispose of particulates and sulfur dioxide from flue gases and certain solid wastes. They are designed for the purpose of abating or controlling atmospheric and water pollutants or contaminants.

8. To accomplish this refunding, the Company will apply the proceeds from the appropriate issuance of Bonds to redeem or purchase and cancel the Prior Bonds. The Company expects to cause the Prior Bonds to be called within 90 days of the issuance of the Bonds as required by law.

9. The Bonds will be issued pursuant to an Indenture of Trust between the County and a trustee. Pursuant to an agreement between the County and the

Company, the proceeds from the sale of the Bonds, other than refundable accrued interest, will be loaned to the Company to refund the Prior Bonds, and thereby refinance the Facilities. Under the agreement, the Company will be obligated to pay absolutely and unconditionally, to the extent sufficient funds are not already in the possession of the trustee, the principal of, the interest on, and the premium (if any) on the Bonds as well as certain fees and expenses of the County. Under no circumstances will the Bonds and their related costs become an obligation of the County.

10. To achieve the lowest cost of money, the Company may enter into reimbursement agreements, guarantees, pledges, or other security agreements or arrangements to assure timely payment of amounts due in respect of the Bonds. An existing letter of credit supporting the Prior Bonds may be replaced or modified in order to support the Bonds.

In connection with a new letter of credit, the Company would enter into a reimbursement agreement under which a bank would issue a letter of credit to support payments in respect of the Bonds. Under the reimbursement agreement, the Company would be required to reimburse the bank for any drawings under its letter of credit. Amounts advanced by a bank under a letter of credit are expected to bear interest based upon various short-term rates. The Company expects that any new letter of credit bank will have a long-term credit rating not less than AA and a short-term credit rating of A-1/P-1. Fees on the existing letter of credit are 0.32 percent per annum. In the event a new letter of credit is obtained, it is expected to have an initial term of five years unless extended by mutual consent of the bank and the Company or replaced by the Company with another letter of credit or an alternative credit facility. The Company believes, and its experience in previous tax-exempt financings confirms, that the interest savings from enhancing the credit support for the Bonds will exceed the cost of the letter of credit or alternative credit arrangements; that is, the effective cost of the Bonds will be lowered by the credit enhancement arrangements.

11. Over the life of the Bonds it may be necessary or desirable to replace one or more letters of credit or alternate credit facilities from time to time as the credit

ratings of the various banks (and thus the Company's interest costs) fluctuate or market rates for letters of credit change. The Company therefore requests authority to substitute, as necessary or desirable from time to time, letters of credit or other credit facilities for letters of credit or other credit facilities then in effect with respect to the Bonds.

12. While the Bonds have a nominal long-term maturity, the obligation will have a "put" feature which enables the holder to tender the Bonds at par within a short notice period. The Bonds will be marketed with one or more put frequencies, including, but not limited to, daily, weekly, monthly and variable puts. Because of the put feature, investors are indifferent to the final maturity of the instrument; as a result, the Bonds may be structured with the longest maturity justified by the underlying assets being financed, although not exceeding the final maturity of the Prior Bonds, while obtaining rates reflective of short maturities.

13. In view of the put feature, the Company will enter into an agreement with a remarketing agent who will agree in advance to seek new purchasers for the Bonds on a best-efforts basis if and when the Bonds are put. To satisfy the investment criteria of potential purchasers, the Company expects to arrange for a letter of credit as a source of credit support and liquidity. The letter of credit will provide amounts required to purchase tendered Bonds which have not been successfully remarketed immediately, as well as amounts required for payment of scheduled interest and principal at maturity or through acceleration. The Bonds not immediately remarketed may thereafter be sold to other investors.

14. The Bonds' structure may include the selection of one of several tax-exempt market rate pricing modes including pricing modes as short as daily and as long as annually. The Bonds will also accommodate an option to convert to a fixed rate mode. The pricing mode selection will depend upon a number of factors, including expectations as to which mode offers the lowest relative rates at the time of issuance. During the time the Bonds carry a floating rate, the Bonds would be prepayable at par plus accrued interest at the end of any interest rate period.

15. The underwriting fee will not exceed 0.50 percent of the principal amount of the Bonds. The annual remarketing fee is not expected to exceed 1/8 of 1.00 percent of the principal amount of the Bonds.

16. The results of the offering are expected to be as follows:

ESTIMATED RESULTS OF THE FINANCING*

Proceeds from Refunding Bonds	<u>\$70,000,000</u>
Issuance Costs:	
Underwriters Fees (0.50%)	\$ 350,000
Other Expenses	<u>400,000</u>
Total Costs to Issue Refunding Bonds	\$ <u>750,000</u>

OTHER EXPENSES

Regulatory Agency Fees	\$ 2,400
Trustee Fees	36,500
Company Counsel Fees	60,000
Bond Counsel Fees	75,000
Underwriters' Counsel Fees	60,000
Accountants' Fees	30,000
Letter of Credit Bank Fees (other than annual LOC fee)	50,000
Rating Agency Fees (S&P and Moody's only)	25,000
Printing Fees	30,000
Miscellaneous	<u>31,100</u>
TOTAL	\$ <u>400,000</u>

*As the financing proposed is a special purpose financing, the interest on which is exempt from taxation to the holder, the proceeds may be used only to refinance the principal amount of the Prior Bonds issued to finance the Facilities. All issuance costs associated with the refunding bonds must be derived from other capital sources of the Company.

17. The net proceeds of the borrowing will be used to refund Prior Bonds currently outstanding that were issued previously to finance Facilities at the Plant, as authorized by the Commission in earlier proceedings.

18. The proposed borrowing is a part of an overall plan to finance the cost of the Company'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 the Company could sell.

19. 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 borrowing to which the application relates will be for lawful objects within the corporate purposes of the Company. The method of financing is proper.

ORDER

IT IS THEREFORE ORDERED by the Commission that:

1. The application of PacifiCorp, filed on June 5, 1990, for authority to borrow the proceeds up to \$70,000,000 of Pollution Control Revenue Bonds to be issued by Sweetwater County, Wyoming, pursuant to Section 69-3-501 through 69-3-507, MCA, and to use the proceeds for normal utility purposes, is approved.

2. The application of PacifiCorp to enter into such agreements or arrangements with the County and with other entities as may be reasonably necessary

to effect the borrowing and pursuant to which the Company would assume obligations as guarantor, surety, or otherwise with respect to the payment of the principal of, the interest on, and the premium (if any) on the Bonds and to enter into such agreements or arrangements as may be necessary to enhance the credit quality of the Bonds, including letters of credit, is approved.

3. PacifiCorp 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 borrowing pursuant to this order.

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

d) A verified statement setting forth in reasonable detail the disposition of the proceeds of the borrowing made pursuant to this order.

4. Issuance of this order does not constitute acceptance of PacifiCorp exhibits or other material accompanying the application for any purpose other than the issuance of this order.

5. Approval of the transaction authorized shall not be construed as precedent to prejudice any further action of the Commission.

6. Section 69-3-507, MCA, provides that neither the issuance of securities by PacifiCorp 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.

7. This order shall be effective upon execution.

DONE IN OPEN SESSION at Helena, Montana, this 25th day of June, 1990,
by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

WALLACE W. "WALLY" MERCER, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner

ATTEST:

Ann Peck
Commission Secretary

(SEAL)

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