

Service Date: Jan. 21, 1992

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)
issue Bonds and assume Debt in)
an Aggregate Principal Amount) UTILITY DIVISION
not to exceed \$260,000,000 in) DOCKET NO. 91.12.62
Connection with the Proposed) DEFAULT ORDER NO. 5604
Acquisition of Generating)
Resources from Colorado-Ute)
Electric Association, Inc.)
_____)

On December 30, 1991, PacifiCorp (Company) 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 issue its First Mortgage and Collateral Trust Bonds (Bonds) and assume debt in an aggregate principal amount not to exceed \$260,000,000 (Debt) in connection with the proposed acquisition of generating resources from Colorado-Ute Electric Association, Inc. (Colorado-Ute).

The application is supported by exhibits and data in accordance with the rules and regulations of the Commission governing the authorization of the issuance or assumption 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 or assumption of Debt, 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 1701 Prospect Avenue, Helena, Montana, on January 21, 1992, there came before the Commission for final action the matters and things in Docket No. 91.12.62, 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. The Company 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. The Company 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. The Company proposes to issue its Bonds and assume Debt in connection with the purchase of certain generating resources from Colorado-Ute. The Bonds will be secured by mortgages on the fixed assets of the Company.

6. Colorado-Ute has approximately \$385 million of debt (FFB/REA Debt) to the United States of America Federal Financing Bank (FFB), which has been guaranteed by the Rural Electrification Association (REA). The FFB/REA Debt is secured by a lien on assets of Colorado-Ute. The FFB/REA Debt consists of 145 separate advances, each with a unique principal amount, interest rate, maturity and sinking fund requirement. The average blended rate of the FFB/REA Debt is approximately 8.36 percent. The Company and Tri-State Generation and Transmission Association, Inc. have discussed a preliminary division of approximately \$360 million of the FFB/REA Debt; Public Service Company of Colorado is expected to prepay the remaining \$25 million of such Debt. The Company proposes to issue its Bonds to the REA with maturity dates, amortization schedules and interest rates to produce cash flows sufficient to repay the corresponding amount of FFB/REA Debt allocated to the Company's portion of the purchase price. At the closing, the REA will release the government's lien on the Colorado-Ute assets acquired by the Company. The Company does

not presently expect to assume Colorado-Ute's obligations to the FFB or REA.

7. In addition to the issuance of Bonds to the REA, the Company proposes to assume certain obligations with respect to not more than \$55,000,000 aggregate principal amount of Moffat County, Colorado Pollution Control Revenue Bonds, Series 1978 (PCRBs) in accordance with an Assignment and Assumption Agreement between Colorado-Ute and the Company. The PCRBs were issued by Moffat County, Colorado, and the proceeds thereof were loaned to Colorado-Ute pursuant to a Financing Agreement dated May 1, 1978 (Financing Agreement) to finance Colorado-Ute's ownership interest in certain air and water pollution control facilities at units 1 and 2 of the Craig Station. The obligation of Colorado-Ute to repay the loan was secured by a mortgage which encumbers Colorado-Ute's interest in the Craig Station and other properties of Colorado-Ute. The interest rates of the PCRBs range from 6.50 percent to 6.875 percent.

8. Pursuant to the terms of the Assignment and Assumption Agreement, the Company will assume the obligations of Colorado-Ute under the Financing Agreement to make regularly scheduled payments to the Central Bank of Denver, as trustee (Trustee) under the Indenture dated as of May 1, 1978, sufficient to pay the principal of and interest and premium, if any, on the PCRBs (including amounts overdue), payments to fund the Reserve Fund for the PCRBs and payments of the necessary and reasonable fees and expenses of the Trustee. As security for the payment of these obligations, the Company will deliver to the Trustee its Bonds with principal amounts, interest rates and maturities corresponding to the PCRBs.

9. The Bonds expected to be issued to the REA will bear fixed interest rates which will be substantially the same as the average rate of certain debt obligations of Colorado-Ute to the FFB. The average interest rate of the Bonds is not expected to exceed 8.50 percent per annum. The Bonds expected to be issued to the Trustee as security for the PCRBs will have the same interest rates as the PCRBs, which have fixed interest rates ranging from 6.50 percent to 6.875 percent.

10. The Bonds are expected to be issued to the REA and the

Trustee upon the completion of the proposed acquisition. The Bonds to be issued to the REA are expected to have final maturities ranging from approximately 19 years to 26 years, annual sinking fund requirements and an average weighted life to maturity of less than 15 years. The Bonds expected to be issued to the Trustee as security for the PCRBs will have the same maturities as the PCRBs, which have maturities ranging from less than 1 year to 17 years. The average weighted life to maturity of such Bonds is not expected to exceed 14 years.

11. The issuance of Bonds generally involves selecting a group of underwriters to place the Bonds with investors; however, under this Docket the Company proposes to issue several series of Bonds directly, which will eliminate the need to pay compensation to underwriters. The significant expenses associated with these issuances of Bonds are summarized below:

ESTIMATED EXPENSES

Securities and Exchange Commission fees	\$ 64,000
Regulatory agency fees	1,000
Company's counsel fees	50,000
Accounting fees	40,000
Printing and engraving fees	50,000
Rating agency fees	80,000
Miscellaneous costs	15,000
TOTAL	\$300,000

12. There are no cash proceeds raised through the issuance of Bonds and assumption of Debt in this transaction. The Bonds will be issued and the Debt will be assumed in connection with the purchase of certain generating assets of Colorado-Ute. Accordingly, the proposed issuance of Bonds and assumption of Debt will be in furtherance of one or more of the utility purposes authorized by Section 69-3-501 MCA.

13. The proposed issuance of Bonds and assumption of Debt are 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.

14. Encumbrances on all utility property of the Company have previously been approved in Default Order No. 5373 in Docket

No. 88.10.37 and in Docket No. 87.9.49. First mortgage bonds issued under the Pacific Power and Utah Power mortgages and used as collateral for Bonds issued under the PacifiCorp Mortgage do not count toward the authority granted herein.

15. 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

1. The proposed issuance of Bonds and assumption of Debt to which the application relates will be for lawful objects within the corporate purposes of the Company. The method of financing is proper.

2. The application should be approved.

ORDER

IT IS THEREFORE ORDERED by the Commission that:

1. The application of PacifiCorp, filed on December 30, 1991, for authority for PacifiCorp to issue Bonds and assume Debt in an aggregate principal amount not to exceed \$260,000,000 in connection with the proposed acquisition of generating resources from Colorado-Ute Electric Association, Inc. is hereby approved, pursuant to Sections 69-3-501 through 69-3-507, MCA.

2. 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 issuance of Bonds or assumption of Debt pursuant to this order.

3. Issuance of this order does not constitute acceptance of PacifiCorp'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 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 21st day of January 1992, by 5-0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

HOWARD L. ELLIS, Chairman

DANNY OBERG, Vice Chairman

BOB ANDERSON, Commissioner

JOHN B. DRISCOLL, Commissioner

WALLACE W. "WALLY" MERCER, 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.