

Service Date: May 7, 1991

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)	
PACIFICORP for authority to (1))	
guaranty not more than \$75,000,000)	UTILITY DIVISION
principal amount of debt, together)	DOCKET NO 91.4.17
with interest thereon, on behalf)	DEFAULT ORDER NO. 5556
of its PACIFICORP K PLUS EMPLOYEE)	
SAVINGS AND STOCK OWNERSHIP PLAN)	
AND TRUST, (2) enter into such)	
agreements or arrangements with)	
financial institutions necessary)	
to effect the guaranties, and (3))	
issue and sell not more than)	
7,000,000 additional shares of its)	
Common Stock to the Plan, from time)	
to time no later than December 31,)	
1993.)	

On August 27, 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 (Commission) its verified application, pursuant to Sections 69-3-501 through 69-3-507, MCA, in the named matter. On September 19, 1990, the Commission granted the Company's request in Docket No. 90.8.50, Default Order No. 5496.

On April 22, 1991, the Company filed its supplemental application requesting authority to guaranty the obligations of the PacifiCorp K Plus Employee Savings and Stock Ownership Plan and Trust under interest rate exchange arrangements. The terms and conditions authorized in Docket No. 90.8.50, Default Order No. 5496, shall remain in full force and effect.

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 guaranty 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 issuances and guaranties, the other regulatory authorizations required, and the propriety of the proposed issue and guaranties.

At a regular open session of the Montana Public Service Commission held in its offices at 2701 Prospect Avenue, Helena, Montana, on May 6, 1991, there came before the Commission for final action the matters and things in Docket No. 91.4.17, 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. On October 19, 1990, the Company entered into a guaranty

agreement with the Bank of New York (Lender) on behalf of the PacifiCorp K Plus Employee Savings and Stock Ownership Plan and Trust to guaranty the full and complete payment and complete performance when due, whether at stated maturity, by reason of acceleration, or otherwise, of the borrowings by the related Trust. Under these arrangements, the Trust borrowed \$31,330,000 pursuant to a credit agreement (Loan) with the Lender. The principal of the Loan is due and payable in twenty-eight quarterly installments commencing on February 15, 1991 and ending on November 15, 1997. The Loan bears interest at a rate per annum equal to (a) the Prime Rate as in effect from time to time, (b) the adjusted certificate of deposit rate plus the applicable margin or (c) the adjusted LIBOR rate plus the applicable margin. The Trust selects which of these rates will apply. Since the inception of the Loan, the interest rates selected by the Trust have been based upon the LIBOR index. The proceeds of the Loan were used to purchase 1,432,228 shares of Common Stock from the Company. An additional 1,941,137 shares were purchased from the Company with the proceeds of a related loan guaranteed by Inner PacifiCorp, Inc.

7. Because the Loan does not include an option to fix the interest rate to the final maturity of Loan and due to the general improvement in interest rates, the Trust may consider locking in a rate for all or a portion of the Loan by entering into one or more interest rate exchange arrangements with the Lender. These arrangements would effectively fix the interest rate on the debt for periods up to the maturity of the Loan.

8. The existing authority in this matter does not take into consideration the obligations of the Trust to the Lender under an interest rate exchange arrangement. Therefore, the Company now requests authority to guaranty the obligations of the Trust under interest rate exchange arrangements covering not more than \$75,000,000 aggregate notional amount at any one time. These interest rate exchange arrangements will have a final maturity not to exceed the final maturity of the related loans guaranteed pursuant to the existing authority in this matter and are defined in the Credit Agreement for the Loan as "Permitted Swap Agreements."

9. The Company believes that the interest rate exchange arrangements will reduce the interest costs of the Trust and that the Company's exposure on the guarantees previously authorized in this matter will not be significantly increased.

10. The amount of guaranteed obligations under interest rate exchange arrangements will be the interest payments on not more than \$75,000,000 aggregate notional amount. There are no proceeds recognized under an interest rate exchange arrangement, only a change in the all-in effective cost of the underlying debt. As such, the Company will guaranty the full and complete performance when due of the obligations of the Trust under these interest rate exchange arrangements.

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

CONCLUSIONS

The proposed guaranties of obligations under interest rate exchange arrangements to which the application relates will be for lawful objects within the corporate purposes of the Company. 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, filed on April 22, 1991, for authority to enter into one or more guaranty agreements with respect to the obligations of the PacifiCorp K Plus Employee Savings and Stock Ownership Plan and Trust under interest rate exchange arrangements covering not more than \$75,000,000 aggregate notional amount at any one time, is approved.

2. Docket No. 90.8.50, Default Order No. 5496, except as modified above, shall remain in full force and effect.

3. PacifiCorp shall file verified copies of any agreement entered into in connection with the guaranties entered into 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 6th day of May 1991, by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

HOWARD L. ELLIS, Chairman

DANNY OBERG, Vice Chairman

WALLACE W. "WALLY" MERCER, Commissioner

JOHN B. DRISCOLL, Commissioner

BOB ANDERSON, 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.