

Service Date: October 12, 1995

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)	UTILITY DIVISION
Issue and Sell or Exchange its)	DOCKET NO. D95.9.137
Debt Securities in Connection)	DEFAULT ORDER NO. 5869
with the Discharge of the PP&L)	
and UP&L Mortgages.)	

On September 25, 1995, 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 §§ 69-3-501 through 69-3-507, MCA, requesting an order authorizing the Company, in connection with the discharge of the Pacific Power & Light Company Mortgage and Deed of Trust dated as of July 1, 1947 (PP&L Mortgage) and Utah Power & Light Company Mortgage and Deed of Trust dated as of December 1, 1943 (UP&L Mortgage), to issue and sell in one or more public offerings or private placements or to exchange for other debt of the Company, not later than December 31, 1996, its fixed or floating rate debt (Debt) in the aggregate principal amount of not more than \$700,000,000.

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 1701 Prospect Avenue, Helena, Montana, on October 10, 1995, there came before the Commission for final action the matters and things in Docket No. D95.9.137, 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 ' 69-3-101, MCA, and is engaged in furnishing electric service in Montana.
3. PacifiCorp was incorporated under Oregon law in August, 1987, for the purpose of facilitating consummation of a merger with Utah Power & Light Company, a Utah corporation, and changing the state of incorporation of PacifiCorp from Maine to Oregon. PacifiCorp uses the assumed business names of Pacific Power & Light Company and Utah Power & Light Company within their respective service territories located in the states of California, Idaho, Montana, Oregon, Utah, Washington and Wyoming.
4. The Commission has jurisdiction over the subject matter of the application under § 69-3-102, MCA.
5. Notice of the application was published as a part of the Commission's regular weekly agenda.
6. The Company proposes to issue the Debt from time to time not later than December 31, 1996, in public offerings or private placements, or in exchange for other debt of the Company as described below.
7. **Bond Exchange Transactions.** The Company expects to issue up to \$63,234,000 of First Mortgage and Collateral Trust Bonds (Exchange Bonds) under the PacifiCorp Mortgage and Deed of Trust, dated

January 9, 1989 (PacifiCorp Mortgage), in exchange for an equivalent principal amount of two series of First Mortgage Bonds (PP&L Bonds) previously issued under the PP&L Mortgage. The Exchange Bonds will be issued pursuant to exchange agreements. The Exchange Bonds will carry the same interest rate and maturity, and have substantially the same call provisions, as the PP&L Bonds. All of the bonds which had been issued under the UP&L Mortgage have previously been retired (other than bonds held by the PacifiCorp Mortgage trustee).

The PP&L Bonds to be exchanged include: (a) the Adjustable Rate Series due November 1, 2002, which has \$13,234,000 aggregate principal amount outstanding, is repriced annually at 127% of the 10-year Treasury Bond with a floor of 10% and a ceiling of 24% and is not callable until November 1, 1996, and (b) a 9 3/8% Series First Mortgage Bond due July 22, 1997, which was issued to collateralize a \$50,000,000 Yen Currency Loan.

8. Bond Credits Preservation. The Company expects to issue up to \$636,766,000 of First Mortgage and Collateral Trust Bonds (Bond Credit Bonds) under the PacifiCorp Mortgage on the basis of previously retired bonds under the PP&L and UP&L Mortgages (Class A Mortgages), prior to the discharge of the Class A Mortgages. By funding these bonds through the PacifiCorp Mortgage, bond credits would become available for future issuances after the Bond Credit Bonds are retired (even if they are immediately retired). This will enable the Company to avoid some of the expenses associated with surveys and appraisals of property as the basis of future issuances of bonds. The Company expects the Bond Credit Bonds will be issued pursuant to private placement agreements or underwritten transactions in which the Bond Credit Bonds would be quickly redeemed or repurchased. The terms of the proposed offering would include: a maturity not to exceed two years with a call provision not to exceed 60 days at 100% of the stated principal amount of the Bond Credit Bonds and/or purchase provisions to reacquire the Bond Credit Bonds at any time at their stated principal amount outstanding. Proceeds of the offering are expected to be deposited with a trustee or bank to be subsequently

drawn upon to either repurchase or call the Bond Credit Bonds at the earliest available date.

Up to \$636,766,000 of bond credits may exist under the Class A Mortgages, or will be created as part of the bond exchange transactions.

9. **General.** Prior to the merger of PacifiCorp, a Maine corporation, with Utah Power & Light Company into PacifiCorp, an Oregon corporation, PacifiCorp, a Maine corporation, had issued first mortgage bonds under the PP&L Mortgage and Utah Power & Light Company had issued first mortgage bonds under the UP&L Mortgage. After the merger, PacifiCorp entered into the PacifiCorp Mortgage, with new issues of bonds being supported by a pledge of bonds issued under the UP&L Mortgage and the PP&L Mortgage (known collectively as the Class A Mortgages). The Company's primary source of secured long-term debt financing has been First Mortgage and Collateral Trust Bonds issued under the PacifiCorp Mortgage. The Company's intent has been that, once the first mortgage bonds issued under the Class A Mortgages (other than those held by the trustee as the basis of issuances under the PacifiCorp Mortgage) have been retired, the Class A Mortgages would be discharged and the PacifiCorp Mortgage would become its sole mortgage.

The Company believes that discharge of the Class A Mortgages is desirable because it is expected to allow cost savings resulting from reduced administrative requirements and increased flexibility for the issuance of secured debt.

10. Following the discharge of the Class A Mortgages, the Company's first mortgage bonds will be issued under the PacifiCorp Mortgage. The Commission has previously authorized the Company to incur the lien of the PacifiCorp Mortgage in Docket No. 88.10.37, Default Order No. 5373. As in its previous issuances, the Company expects to issue the Exchange Bonds and the Bond Credit Bonds as First Mortgage and Collateral Trust Bonds, which are collateralized with first mortgage bonds under the PP&L Mortgage and UP&L Mortgage. Bonds issued under the PP&L and UP&L Mortgages would not count toward the maximum amount of debt authority granted in This Docket.

11. Offering costs are not expected to exceed 1.00% for the Debt.
 12. The results of the financings are expected to be:

Other Expenses

Securities and Exchange Commission fees	\$241,379
Regulatory agency fees	1,000
Company's counsel fees	100,000
Underwriters' counsel and other expenses	100,000
Holder's fees and other exchange expenses	50,000
Accounting fees	20,000
Printing and engraving fees	30,000
Rating agency fees	150,000
Trustee fees	25,000
Indenture recording fees	45,000
Miscellaneous costs	<u>37,621</u>
TOTAL	<u>\$800,000</u>

13. The net proceeds of the proposed offering of the Bond Credit Bonds may be temporarily deposited with a trustee or bank and invested to the earliest date the Bond Credit Bonds may be called or repurchased by the Company. The proceeds of the Bond Credit Bonds will be used to reimburse the Company's treasury for funds expended from income and from other treasury funds that were not derived from the issuance of securities. No proceeds will be realized through the issuance and sale of the Exchange Bonds. The funds to be reimbursed, including the funds reimbursed by the issuance of the PP&L Bonds as part of the bond exchange transactions, were used in furtherance of one or more of the utility purposes authorized by ' 69-3-501 MCA. To the extent 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. Issuances of the Debt proposed 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.

15. The issuance of an order authorizing the proposed transaction 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 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 September 25, 1995, for authority to issue and sell, in one or more public offerings or private placements, or to exchange for other debt of PacifiCorp, not later than December 31, 1996, its fixed or floating rate Debt, in the aggregate principal amount of not more than \$700,000,000, pursuant to ' 69-3-501 through 69-3-507, MCA, is approved.
2. The authority granted herein is in addition to the authority granted in Docket No. 94.7.28.
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 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 transactions 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, no 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 10th day of October, 1995, by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

NANCY McCAFFREE, Chair

DAVE FISHER, Vice Chair

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
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.