

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF PACIFICORP FOR (1) AUTHORITY TO) CASE NO. PAC-E-03-6
ISSUE AND SELL OR EXCHANGE NOT)
MORE THAN \$1,600,000,000 OF DEBT, (2))
ENTER INTO CREDIT SUPPORT)
ARRANGEMENTS, (3) ENTER INTO) ORDER NO. 29238
CURRENCY EXCHANGES, AND (4))
CONTRIBUTE OR SELL ADDITIONAL)
DEBT TO SPECIAL PURPOSE ENTITIES.)**

On April 14, 2003, PacifiCorp filed an Application that requested extending the Company's authority to borrow not more than \$800 million in debt, in one or more offerings as a shelf offering. The requested authority will extend the expiration date in Case No. PAC-E-01-12 from November 1, 2003 to November 1, 2005 for the \$800 million of authority remaining from the \$1.6 billion originally authorized. The Application states that the other terms and conditions of the authorities specified in Order No. 28806 would not be changed.

Specifically, the Company seeks an extension of its authority to generally issue or exchange security instruments. In its Application, the Company sought approval extending through November 1, 2005 its authority to: (1) issue and sell or exchange, in one or more public offerings or private placements, fixed or floating rate debt (Debt) in the aggregate principal amount of not more than \$1.6 billion (of which \$800 million has been issued) or, if the Debt is issued at an original issue discount, such greater amount as shall result in an aggregate offering price of not more than \$800 million (or its equivalent amount in, or based upon, foreign currencies determined at the time of issue); (2) enter into letter of credit arrangements with one or more banks or such other agreements or arrangements as may be necessary or appropriate, from time to time, to provide additional credit support for the payment of the principal of, the interest on, and the premium (if any) on the Debt; and (3) enter into one or more currency exchanges. The Company also requested an extension of its authority to contribute or sell

additional Debt to special purpose entities (SPE) in an amount based upon the common securities of the SPE and to enter into guarantee and expense payment agreements relating to the preferred securities of the SPE. After reviewing the Application, the Commission grants the Company's request.

STAFF RECOMMENDATION

Staff stated that the availability of shelf authority is important to take advantage of favorable rates and conditions to refinance existing higher cost debt and maturing issuances. Staff also noted that the Company has already issued \$800 million of the \$1.6 billion. Accordingly, Staff recommended that PacifiCorp's Application be granted. Staff also stated that the reasonableness of the interest rate and all-in cost will be evaluated as part of the review of the issuance documents when filed in this case and in future cases. Staff also noted that the required fees have been paid.

FINDINGS OF FACT

The Company 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. The Company uses the assumed business names of Pacific Power & Light Company and Utah Power & Light Company within its respective service territories located in the states of California, Idaho, Oregon, Utah, Washington and Wyoming.

The Company proposes to issue or exchange the Debt from time to time not later than November 1, 2005, in either public offerings or private placements, domestically or overseas. The Company finds that the variety of borrowing options available to it dictate that it have the ability to select the debt instrument, market and maturity that allows it to borrow at a lower all-in cost, consistent with its financial goals. The type of issue and its terms including interest rate will be determined at the date of issue and the Company will notify the Commission Staff of the terms as soon as practical before the issue. The type of issue will be based on the all-in costs and benefits of the alternatives. PacifiCorp committed in Case No. PAC-E-99-3 to a

costs test where foreign transactions will not be utilized for ratemaking unless and until it can assure the all-in costs of the foreign borrowing are no more than the all-in costs of similar domestic borrowings.

If the Debt bears a fixed rate, the interest rate will be set at the time of issuance. If the Debt bears a floating rate, the interest rate will be set periodically at the option of the Company based upon a published or quoted index. The Debt may be publicly or privately placed in the domestic or foreign markets. Selection of the method of issuance and the location will depend on the relative all-in costs and other benefits of the alternatives being considered.

The types of offerings contemplated by the Company in its application include:

- a. Conventional first mortgage bonds placed publicly or privately in the domestic or foreign markets;
- b. Secured or unsecured medium-term notes placed publicly or privately in the domestic or foreign markets;
- c. Floating rate debt placed publicly or privately in the domestic or foreign markets;
- d. Eurodollar financings placed publicly or privately in Europe or Japan;
- e. Debt issued overseas denominated in, or based upon, foreign currencies combined with a currency exchange to effectively eliminate the currency risk; and
- f. Subordinated debt placed publicly or privately in the domestic or foreign markets and issued either alone or in conjunction with an offering of preferred securities by an SPE organized by the Company.

The Application recognizes that a foreign currency offering involves a degree of risk to a U.S. issuer because changes in the relationship between the value of the U.S. dollar and foreign currency may increase the ultimate cost of the debt. Currency exchanges allow a party to make a series of payments in U.S. dollars in exchange for a series of payments in, or based upon, foreign currencies. Combining a foreign currency offering with a currency exchange effectively eliminates the currency risk by providing the issuer a stream of foreign currency payments equal to obligations on the foreign debt.

The Company expects to issue or exchange the Debt from time to time not later than November 1, 2005, in either public offerings or private placements. The Debt may have various maturities, although medium-term notes generally have maturities longer than nine months.

The net proceeds of the issuances will be used for one or more of the utility purposes authorized by *Idaho Code* § 61-901. To the extent that any 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.

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.

The Company has paid the fees required by *Idaho Code* § 61-905.

CONCLUSIONS OF LAW

PacifiCorp dba Utah Power & Light is an electrical corporation within the definition of *Idaho Code* § 61-119 and is a public utility within the definition of *Idaho Code* § 61-129.

The Idaho Public Utilities Commission has jurisdiction over this matter pursuant to the provisions of *Idaho Code* § 61-901 *et seq.*, and the Application reasonably conforms to Rules 141 through 150 of the Commission's Rules of Procedure, IDAPA 31.01.01.141-150.

The method of issuance is proper.

The general purposes to which the proceeds will be put are lawful purposes under the Public Utilities Law of the State of Idaho and are compatible with the public interest. However, this general approval of the general purposes to which the proceeds will be put is neither a finding of fact nor a conclusion of law that any particular construction program of the Company which may be benefited by the approval of this Application has been considered or approved by this Order, and this Order shall not be construed to that effect.

The issuance of an Order authorizing the proposed financing does not constitute agency determination/approval of the type of financing or the related costs for ratemaking purposes, which determination the Commission expressly reserves until the appropriate proceeding.

The Application should be approved.

O R D E R

IT IS THEREFORE ORDERED that PacifiCorp's Application for an extension through November 1, 2005 of its authority to: (1) issue and sell or exchange, in one or more public offerings or private placements, fixed or floating rate debt (Debt) in the aggregate principal amount of not more than \$1.6 billion (of which \$800 million has been issued) or, if the Debt is issued at an original issue discount, such greater amount as shall result in an aggregate offering price of not more than \$800 million (or its equivalent amount in, or based upon, foreign currencies determined at the time of issue); (2) enter into letter of credit arrangements with one or more banks or such other agreements or arrangements as may be necessary or appropriate, from time to time, to provide additional credit support for the payment of the principal of, the interest on, and the premium (if any) on the Debt; and (3) enter into one or more currency exchanges, is granted.

IT IS FURTHER ORDERED that the extension of authority to contribute or sell additional Debt to special purpose entities (SPE) in an amount based upon the common securities of the SPE and to enter into guarantee and expense payment agreements relating to the preferred securities of the SPE, in each case substantially as described in the Company's application, is approved.

IT IS FURTHER ORDERED that this authorization is without prejudice to the regulatory authority of this Commission with respect to rates, service, accounts, valuation, estimates, or determination of costs, or any other matter that may come before this Commission pursuant to this jurisdiction and authority as provided by law.

IT IS FURTHER ORDERED that nothing in this Order and no provision of Chapter 9, Title 61, Idaho Code, or any act or deed done or performed in connection with this Order shall be construed to obligate the State of Idaho to pay or guarantee in any manner whatsoever any security authorized, issued, assumed, or guaranteed under the provisions of Chapter 9, Title 61, Idaho Code.

IT IS FURTHER ORDERED that PacifiCorp notify the Commission as soon as possible prior to the issuance with as much information as possible on the issue. The notice may be by telephone or facsimile to be followed with letter of verification if notice is less than seven days.

IT IS FURTHER ORDERED that PacifiCorp shall file the following as they become available:

- a. The "Report of Securities Issued" required by 18 C.F.R. § 34.10.
- b. Verified copies of any agreement entered into in connection with the issuance of Debt pursuant to this order.
- c. A verified statement setting forth in reasonable detail the disposition of the proceeds of each offering made pursuant to this order.

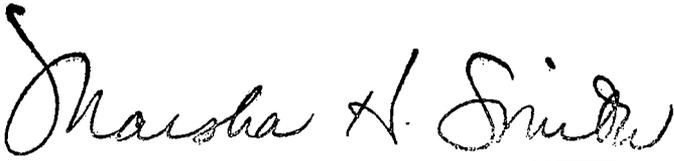
IT IS FURTHER ORDERED that issuance of this Order does not constitute acceptance of PacifiCorp's exhibits or other material accompanying the Application for any purpose other than the issuance of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. PAC-E-03-6 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. PAC-E-03-6. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 14th
day of May 2003.



PAUL KJELLANDER, PRESIDENT



MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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