

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
PACIFICORP FOR AUTHORITY TO (1) ISSUE) CASE NO. PAC-E-05-5
AND SELL OR EXCHANGE NOT MORE THAN)
\$1,000,000,000 OF DEBT, (2) ENTER INTO)
CREDIT SUPPORT ARRANGEMENTS, (3))
ENTER INTO CURRENCY SWAPS, AND (4)) ORDER NO. 29787
CONTRIBUTE OR SELL ADDITIONAL DEBT)
TO SPECIAL PURPOSE ENTITIES)**

On April 11, 2005, PacifiCorp filed an Application requesting a five-year shelf authority to incur debt up to \$1,000,000,000 aggregate principal amount at any one time provided that the Company's bond ratings for senior secured debt remains investment grade (BBB- or higher by Standard & Poor's Rating Services and Baa3 or higher by Moody's Investors' Service, Inc.). PacifiCorp also requests authority to enter into the following as may be appropriate: letter of credit arrangements to provide additional credit support, currency swaps, or contributions to or sale of debt to special purpose entities (SPE). PacifiCorp requests that the Commission issue its Order on or before May 31, 2005.

THE APPLICATION

PacifiCorp submits this Application pursuant to *Idaho Code* § 61-901 *et seq.* and Procedural Rules 141-150. IDAPA 31.01.01.141-150. The Company seeks authority to (1) issue and sell or exchange, in one or more public offerings or private placements, not later than May 31, 2010, fixed or floating rate debt (Debt) in the aggregate principal amount of not more than \$1,000,000,000 or, if such Debt is issued as an original issue discount, such greater amount as shall result in an aggregate offering price of not more than \$1,000,000,000 (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 maybe 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 such Debt; (3) enter into one or more currency swaps; and (4) contribute or sell additional debt to special interest entities (SPE) in an amount based upon the common securities of the SPE.

Such authority would remain in effect until May 31, 2010, so long as the Company maintains a BBB- or higher senior secured debt rating, as indicated by Standard & Poor's Rating Services, and a Baa3 or higher senior secured debt rating, as indicated by Moody's Investors' Service, Inc.

The Application states that the securities will consist of securities issued or exchanged as public or private placements, domestically or overseas, in the form of secured or unsecured debt, preferred securities or other indebtedness. The terms and interest rate for each issue will be determined at the time of issuance. The Debt may have various maturities. The issuance(s) may be at a fixed or variable interest rate based on LIBOR¹, the applicable prime rate, or other established rate. Fees will be charged based on the type of security issued but are estimated to average 1% of the outstanding balance with some transactions carrying fees up to 3.5%.

PacifiCorp states that the requested financing authority will provide funds to refinance \$650 million of debt that matures over the next three years. The remainder will be used for the following purposes: the acquisition or construction of new plant along with the improvement or maintenance of existing generation, distribution, transmission and general plant to provide or improve utility services; additional refunding of financing instruments; and reimbursement of the treasury for other purposes.

PacifiCorp states that the current Application, providing for a variety of funding options, is substantially similar to Applications granted in the past and the requested authority would preserve the financing flexibility that the Commission has previously authorized. *See e.g.*, Order No. 29238 in Case No. PAC-E-03-6. PacifiCorp explains that the variety of borrowing options sought would allow it 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 practicable before the issue. The type of issue will be based on the all-in costs and benefits of the alternatives. Further, the Company committed in Case No. PAC-E-99-3 to a cost test providing that foreign transactions will not be utilized for ratemaking purposes unless and until the Company can assure that the all-in costs of the foreign borrowing is no more than the all-in costs of similar borrowing.

¹ LIBOR: London Interbank Offered Rates.

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 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 cost and other benefits of the alternatives being considered.

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

- (1) Conventional first mortgage bonds placed publicly or privately in the domestic or foreign markets;
- (2) Secured or unsecured medium-term notes placed publicly or privately in the domestic or foreign markets;
- (3) Floating rate debt placed publicly or privately in the domestic or foreign markets;
- (4) Eurodollar financings placed publicly or privately overseas;
- (5) Debt issued overseas denominated in, or based upon foreign currencies combined with a currency swap to effectively eliminate the currency risk; and
- (6) 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 swaps 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 swap effectively eliminates the currency risk by providing the issuer a stream of foreign currency payments equal to obligations of foreign debt.

STAFF REVIEW

Staff recommended approval of the shelf authority for the five-year period through May 31, 2010 with two additional conditions. Staff recommended that the Company (1) provide Quarterly Financing Activity Reports and credit rating reports to the Commission and (2) notify

the Commission of its intent to utilize a SPE and provide all details anticipated with the transaction.

FINDINGS OF FACT

PacifiCorp was incorporated under Oregon law in August 1987 for the purposes of (1) facilitating consummation of a merger with Utah Power & Light Company, a Utah corporation, and (2) changing the state of incorporation of PacifiCorp from Maine to Oregon. The Company uses the assumed business name of Utah Power & Light within its service territory in Idaho.

Based on the representations in the Application, we find that the net proceeds from the authorized debt will be used for one or more of the utility purposes authorized by *Idaho Code* § 61-901. We further find that the 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 required fees required by *Idaho Code* § 61-905.

CONCLUSIONS OF LAW

PacifiCorp is an electric 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 Title 61, Idaho Code, Chapters 1 and 9, specifically *Idaho Code* §§ 61-119, 61-129, 61-901, and 61-902, and IDAPA 31.01.01.141 – 150.

After examining the Application and Staff's comments, the Commission finds that an evidentiary hearing in this matter is not required and would serve no public purpose.

The Commission further finds that the Application requesting authority to (1) issue and sell or exchange not more than \$1,000,000,000 of debt, (2) enter into credit support arrangements, (3) enter into currency swaps, and (4) contribute or sell additional debt to special purpose entities is for a lawful purpose, is within PacifiCorp's corporate powers, and is generally compatible with the public interest. The Commission further finds that the method of issuance is proper.

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 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 this Order 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.

ORDER

IT IS HEREBY ORDERED that the Application of PacifiCorp requesting authority to (1) issue and sell or exchange, in one or more public offerings or private placements, not later than May 31, 2010, fixed or floating rate debt (Debt) in the aggregate principal amount of not more than \$1,000,000,000 or, if such Debt is issued as an original issue discount, such greater amount as shall result in an aggregate offering price of not more than \$1,000,000,000 (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 such Debt; (3) and enter into one or more currency swaps is hereby granted.

IT IS FURTHER ORDERED that such authority will remain in effect until May 31, 2010, so long as the Company maintains a BBB- or higher senior secured debt rating, as indicated by Standard & Poor's Rating Services, and a Baa3 or higher senior secured debt rating, as indicated by Moody's Investors' Service, Inc.

IT IS FURTHER ORDERED that if the Company's senior secured debt ratings fall below the investment grade levels referenced in the above ordering paragraph (the "Downgrade"), PacifiCorp's authority to incur Debt as provided in this Order will not terminate, but instead such authority will continue for a period of 364 days from the date of the Downgrade (the "Continued Authorization Period") provided that PacifiCorp:

- (1) Promptly notifies the Commission in writing of the Downgrade; and
- (2) Files a supplemental application with the Commission within seven (7) days after the Downgrade, requesting a supplemental order ("Supplemental Order") authorizing Idaho Power to continue to incur Debt as provided in this Order, notwithstanding the Downgrade. Until PacifiCorp receives the Supplemental Order, any Debt incurred or issued by PacifiCorp during the Continued Authorization Period will become

due or mature no later than the final date of the Continued Authorization Period.

IT IS FURTHER ORDERED that PacifiCorp shall file with the Commission an application seeking approval of any proposed contribution or sale by the Company of additional debt to special purpose entities (SPE) before such an agreement may be deemed effective.

IT IS FURTHER ORDERED that PacifiCorp shall file with the Commission on a quarterly basis debt reports including any debt authorized by this Order and all credit rating agency reports related to PacifiCorp issued during the quarter.

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

1. The "Report of Securities Issued" required by 18 C.F.R. § 34.10.
2. Verified copies of any agreement entered into in connection with the Company's issuances of the Debt pursuant to this Order.
3. A verified statement setting forth in reasonable detail the disposition of the proceeds of each sale and issuance made pursuant to this Order.

IT IS FURTHER ORDERED that nothing in this Order or any act or deed 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 this Order.


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

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

THIS IS A FINAL ORDER. Any person interested in the Order (or in issues decided by this Order) 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 and in this case. Within seven (7) days

after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* §§ 61-626 and 62-619.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 17th day of May 2005.



PAUL KJELLANDER, PRESIDENT

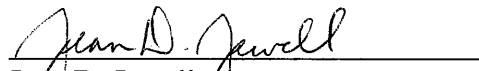


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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