

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER SMITH  
COMMISSIONER HANSEN  
COMMISSION SECRETARY  
LEGAL  
WORKING FILE

**FROM:** TERRI CARLOCK

**DATE:** MAY 6, 2005

**RE:** PACIFICORP'S SHELF AUTHORITY REQUEST OF \$1 BILLION DEBT  
CASE NO. PAC-E-05-5.

On April 11, 2005, PacifiCorp filed an Application requesting authority to incur debt up to \$1,000,000,000 aggregate principal amount at any one time. PacifiCorp requests a five-year shelf authorization period through May 31, 2010 so long as 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).

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, trust preferred securities or other indebtedness. The terms and interest rate for each issue will be determined at the time of issuance. The issuance(s) may be at a fixed or variable interest rate based on LIBOR, the applicable prime rate, or other established rate. Fees will be charged based on the type of security issued but are expected to average 1% of the outstanding balance with some transactions carrying fees up to 3.5%. The variety of funding options will allow the Company to evaluate the all-in cost of each to borrow at lower costs.

The requested financing authority will provide funds to refinance \$650 million of debt that matures over the next three years. Use of the remainder includes capital requirements for the following purposes: 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; reimbursement of the treasury for other corporate purposes.

### **STAFF RECOMMENDATION**

Staff recommends approval of the shelf authority of \$1 billion debt for the five-year period through May 31, 2010. The Company's prior commitment in Case No. PAC-E-99-3 to a cost test remains effective where foreign transactions will not be utilized for ratemaking unless and until PacifiCorp can show that the all-in costs are not greater than the all-in cost of similar domestic borrowings.

Staff informally recommended and the Company accepted the requirement to maintain investment grade ratings for senior secured debt as a condition of the five-year authority. As an additional requirement with the five-year authority, PacifiCorp also accepts providing Quarterly Financing Activity Reports and credit rating reports.

Staff recommends PacifiCorp be required to notify the Commission of its intent to utilize a SPE and provide all details anticipated with the transaction.

### **COMMISSION DECISION**

Should the \$1 billion shelf authority for debt be approved?

Should the authority be approved with the all-in cost test commitment for foreign transactions?

Should the authority be approved for a five-year term with the investment grade rating and additional reporting requirements?

Should PacifiCorp be required to notify the Commission when a SPE will be utilized and provide the anticipated details of the transaction?

  
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Terri Carlock

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