

DECISION MEMORANDUM

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

FROM: TERRI CARLOCK

DATE: FEBRUARY 22, 2007

**RE: PACIFICORP'S SHELF AUTHORITY REQUEST OF \$1.5 BILLION
DEBT; CASE NO. PAC-E-07-2.**

On February 6, 2007, PacifiCorp filed an Application requesting authority to incur debt up to \$1,500,000,000 aggregate principal amount at any one time. PacifiCorp requests this additional authority remain in effect through March 31, 2012 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 requested authority will supplement the financing flexibility previously authorized in Case No. PAC-E-05-5, Order No. 29787 (2005 Order) approving a \$1.0 Billion authority. Under the 2005 Order, \$650 Million has been issued. The remaining \$350 Million is not anticipated to be utilized if the current request is granted and could be withdrawn if the Commission so orders.

The securities will consist of securities issued or exchanged as public or private placements, domestically or overseas, in the form of secured, unsecured, subordinated debt 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% - 2% of the outstanding balance with some transactions carrying fees up to 3.15%. 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 \$575 Million of debt that matures and mandatory redeemable preferred stock over the next two years. Use of the remainder includes capital requirements for the following purposes: acquisition or construction of new plant, including renewable resources, along with the improvement or maintenance of existing generation, distribution, transmission and general plant to provide or improve utility services. The current year capital budget is approximately \$1.5 Billion.

STAFF RECOMMENDATION

Staff recommends approval of the shelf authority of \$1.5 Billion debt for the period through March 31, 2012. 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.

The remaining commitments and terms in Case No. PAC-E-05-5, Order No. 29787 remains effective. As a condition of the extended authority, PacifiCorp's senior secured debt will be rated at investment grade or PacifiCorp will follow the established procedure of notification if the ratings drop. PacifiCorp be still be required to notify the Commission of its intent to utilize a SPE and provide all details anticipated with the transaction. The required Quarterly Financing Activity Reports and credit rating reports, to the extent not filed in the MEHC Acquisition Case No. PAC-E-05-8, Order No. 29998, will continue to be filed in this case.

COMMISSION DECISION

Should the \$1.5 Billion shelf authority for debt be approved?

Should the authority be approved with the existing terms and conditions including maintaining the investment grade rating, continuing the additional reporting requirements, notifying the Commission when a SPE will be utilized and provide the anticipated details of the transaction, meeting the all-in cost test commitment for foreign transactions?



Terri Carlock

TC\pace072debt 1.5B.DM.2.22.07
i:udmemo/pace07.2debt