

DECISION MEMORANDUM

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

FROM: TERRI CARLOCK

DATE: JULY 24, 2008

**RE: PACIFICORP'S POLLUTION CONTROL REVENUE BONDS
AUTHORITY REQUEST; CASE NO. PAC-E-08-5.**

On June 30, 2008, PacifiCorp filed an Application requesting authority to borrow up to \$450,345,000 aggregate principal amount at any one time of Pollution Control Revenue or Refunding Bonds. Pollution Control Refunding Bonds to be issued by the Counties of Emery and Carbon in Utah; Lincoln, Sweetwater and Converse in Wyoming; and Moffat, Colorado represent up to \$300,345,000 aggregate amount at any one time. New Pollution Control Revenue Bonds may represent up to \$150,000,000 in new funds to be issued by one or more of the following counties or municipalities: Emery, Utah, Converse, Wyoming, Lincoln, Wyoming, Sweetwater, Wyoming, City of Gillette, Wyoming, Navajo County, Arizona and Routt County, Colorado. To support the issuances, credit enhancements may be provided, replaced or modified to lower the all-in-cost of the bonds.

The bonds may be issued at a fixed interest rate, to be set at the time of issuance or a floating interest rate to be set periodically. Market developments for some insured variable rate Pollution Control Revenue Bonds have reduced the liquidity when remarketed possibly resulting in higher variable interest rates. Flexibility to refund these bonds and issue additional bonds with more favorable terms in current markets is a benefit to the Company and customers. The all-in-cost of the issuances and refinancing will be reviewed in general rate cases. The Company will provide Staff with the documentation showing the reasonableness of its financing activities.

PacifiCorp requests this additional authority remain in effect 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.).

Fees will be charged based on the type of security issued including fees for underwriters and remarketing agents. The total costs of financing are expected to average 3% of the outstanding balance.

The requested financing authority will provide funds for one or more utility purposes. These include capital requirements for financing or refinancing the cost of certain pollution control, solid waste disposal and sewage facilities at Company electric generating plants.

STAFF RECOMMENDATION

Staff recommends approval of the Pollution Control Revenue Bonds or Refunding Bonds up to an aggregate amount of \$450,345,000. The Pollution Control Refunding Revenue Bonds may be issued up to \$300,345,000. New Pollution Control Revenue Bonds may be issued up to \$150,000,000. Staff also recommends authority for agreements to be provided, replaced or modified for credit enhancements.

As a condition of this 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. The required credit rating reports, to the extent not filed in the MEHC Acquisition Case No. PAC-E-05-8, Order No. 29998, will be filed in this case.

COMMISSION DECISION

Should the \$450,345,000 in Pollution Control Revenue and Refunding Bonds be approved?

Should the authority be approved with the condition that PacifiCorp's senior secured debt must be maintained at investment grade?



Terri Carlock

TC\pace08.5 PCRB DM 7.24.08