

DECISION MEMORANDUM

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

FROM: TERRI CARLOCK

DATE: MARCH 1, 2010

**RE: PACIFICORP'S SHELF AUTHORITY REQUEST OF \$2 BILLION DEBT;
CASE NO. PAC-E-10-2.**

On February 5, 2010, PacifiCorp filed an Application requesting authority to incur debt up to \$2,000,000,000 aggregate principal amount at any one time. PacifiCorp requests this additional authority remain in effect through February 28, 2015 so long as the Company's bond ratings for senior secured debt remain investment grade. Investment grade is BBB- or higher by Standard & Poor's Rating Services (S&P) and Baa3 or higher by Moody's Investors' Service, Inc. (Moody's). PacifiCorp's current senior secured debt ratings are A by S&P and A2 by Moody's. 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 contribute or sell debt to special purpose entities (SPE) based on the common securities of the SPE. Staff does not expect a SPE will be the likely form of financing with the new consolidation accounting requirements. If a SPE is utilized, the Company will notify the Commission of its intent and provide all associated terms of the transaction.

The requested authority will supplement the financing flexibility previously authorized in Case No. PAC-E-07-16, Order No. 30489, approving a \$2 Billion authority. Under the current authority, \$1.8 Billion has been issued. The remaining \$200 Million is not anticipated to be utilized if the current request is granted and could be withdrawn if the Commission so orders.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 be issued in one or more transactions and 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 a published index of short-term rates such as Treasury bills, commercial paper or LIBOR. Fees will be charged based on the type of security issued but are expected to average 1% - 3% of the outstanding balance with some transactions carrying fees up to 3.15%. Any First Mortgage Bonds issued will be issued under the PacifiCorp Mortgage. The Commission has previously authorized the Company to incur the lien of the PacifiCorp Mortgage in Case No. U-1046-15, Order No. 22157. The variety of funding options requested will allow the Company to evaluate the all-in cost of each after considering all associated fees so the issuances result in borrowings at lower costs.

The requested financing authority will provide funds for one or more utility purposes. These include capital requirements for the following purposes: redemption of approximately \$600 Million debt, 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.

STAFF RECOMMENDATION

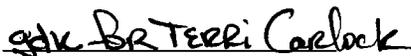
Staff recommends approval of the shelf authority of \$2 Billion debt for the period through February 28, 2015. The Company's prior commitment since Case No. PAC-E-99-3 to a cost test remains effective where foreign transactions will not be utilized for ratemaking unless and until PacifiCorp can show that the all-in costs are not greater than the all-in cost of similar domestic borrowings.

The remaining commitments and terms in prior cases, including Case No. PAC-E-07-16, Order No. 30489, remain effective. 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. PacifiCorp will 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 \$2 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 providing the anticipated details of the transaction, and meeting the all-in cost test commitment for foreign transactions?


Terri Carlock

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