(text box: 1)BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)

OF PACIFICORP FOR AUTHORITY TO )

ISSUE AND SELL OR EXCHANGE NOT)

MORE THAN $135,000,000 OF ITS )

SUBORDINATED DEBT.)

                                                                               )

CASE NO.  PAC-E-97-2

ORDER NO. 26874

On February 18, 1997, PacifiCorp (Company) filed its application and on February 26, 1997, filed its supplemental application pursuant to Chapter 9, Title 61, of the Idaho Code and Commission Rules of Procedure (IDAPA 31.01.01.141-150), requesting an order authorizing the Company to (i) issue its subordinated debt to a special purpose entity (SPE) in support of preferred securities of the SPE; or (ii) issue and sell or exchange its fixed or floating rate subordinated debt directly to or with investors; or (iii) exercise both of such authorities, provided that the aggregate principal amount of any subordinated debt issued by the Company not exceed $135,000,000. The Company also requests Commission approval of the contribution or sale of additional subordinated debt of the Company to the SPE in an amount based on the common securities of the SPE and Commission approval of certain guarantee and expense payment agreements proposed to be entered into by the Company with respect to the preferred securities of the SPE.  The Company requests that such authority remain in effect so long as the Company’s senior secured debt has investment grade ratings from at least two nationally recognized rating agencies.

FINDINGS OF FACT

The Company was incorporated under Oregon law in August 1987 for the purpose of facilitating consummation of a merger with Utah Power & Light Company, a Utah corporation, and changing the state of incorporation of PacifiCorp from Maine to Oregon.  The Company uses the assumed business names of Pacific Power & Light Company and Utah Power & Light Company within their respective service territories located in the states of California, Idaho, Montana, Oregon, Utah, Washington and Wyoming.

Approximately 99 percent of the Company’s direct utility revenues in 1995 were derived from its electric operations and approximately 4 percent of its retail electric operating revenues were derived from its Idaho operations in 1995.

It is anticipated that the subordinated debt will be issued in one or more series pursuant to the Company's Indenture dated as of May 1, 1995, as supplemented, or pursuant to a new indenture.  The Company may issue the subordinated debt (a) directly to investors as in the issuance and sale of its 8 3/8 percent Junior Subordinated Deferrable Interest Debentures, Series A, pursuant to Case No. PAC-S-94-2, (b) in exchange for its outstanding securities as in the issuance of its 8.55 percent Junior Subordinated Deferrable Interest Debentures, Series B, pursuant to Case No. PAC-S-95-1 or (c) to a SPE in support of the preferred securities of the SPE as in the issuance and sale of its 8 1/4 percent Junior Subordinated Deferrable Interest Debentures, Series C, pursuant to Case No. PAC-S-96-2.  The interest rate, maturity, redemption and other terms of the subordinated debt will be determined by the Company's Board of Directors, Finance Committee or Pricing Committee following negotiations with the underwriters or purchasers.

In a transaction involving preferred securities of a SPE, the Company would organize the SPE and contribute or sell subordinated debt of the Company to the SPE in an amount based on the common securities of the SPE.  The SPE would issue preferred securities with an aggregate preference on involuntary liquidation of not to exceed $135,000,000.  The SPE preferred securities are expected to have a liquidation preference of $25 each, have cumulative dividends payable quarterly and be listed on the New York Stock Exchange.  In addition, the SPE would purchase subordinated debt of the Company in an aggregate principal amount corresponding to the liquidation preference of the preferred securities issued by the SPE.  In certain circumstances, the subordinated debt of the Company underlying the preferred securities of the SPE could be distributed to the holders of the preferred securities in connection with the liquidation of the SPE.

It is anticipated that the Company will guarantee the SPE’s payment of:  (i) any accumulated and unpaid distributions required to be paid on the preferred securities of the SPE to the extent that the SPE has funds on hand available therefor; (ii) the redemption price with respect to any preferred securities called for redemption to the extent that the SPE has funds on hand available therefor; and (iii) upon a voluntary or involuntary dissolution, winding-up or liquidation of the SPE (unless the Company’s subordinated debt is distributed to holders of the SPE’s preferred securities), the lesser of (a) the aggregate of the liquidation preference and all accrued and unpaid distributions to the date of payment and (b) the amount of assets of the SPE remaining available for distribution to holders of the preferred securities.  The guarantee is expected to be directly enforceable by holders of the preferred securities issued by the SPE and subordinate to all senior debt of the Company.  It is also anticipated that the Company and the SPE will enter into an expense reimbursement arrangement under which the Company will agree to pay certain expenses of the SPE.

Offering costs are not expected to exceed 3.15 percent for the subordinated debt.

The results of the financings are expected to be:

ESTIMATED RESULTS OF THE FINANCINGS

  Total    Per $100

Gross Proceeds\*$100,000,000$ 100.00

 Less:  Underwriting Fees

   at Approximately 3.15%   3,150,000   3.15

Proceeds Available to Company96,850,00096.85

 Less:  Other Issuance Expenses      480,000   0.48

Net Proceeds to Company$  96,370,000$ 96.37

\*Does not include subordinated debt issued by Company based on common securities of a SPE.

The Company intends to use the proceeds for purposes set forth in Idaho Code § 61-901.  Proceeds may be used for one or more of the following purposes:  the acquisition of property; the construction, completion, extension, or improvement of facilities; the improvement or maintenance of its service; the discharge or refunding of obligations; and to reimburse the Company for funds expended from income or from other treasury funds that were not derived from the issuance of securities, provided that the funds to be reimbursed were used in furtherance of one or more of the utility purposes authorized by Idaho Code § 61-901.

Issuances of the subordinated 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 fees required by Idaho Code § 61-905.

CONCLUSIONS OF LAW

The Company is an electrical 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 the provisions of Idaho Code § 61-901 et seq., and the application reasonably conforms to Rules 141 through 150 of the Commission's Rules of Procedure.

The method of issuance is proper.

The general purposes to which the proceeds will be put are lawful purposes under the Public Utility Law of the State of Idaho and are compatible with the public interest.  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 construction program of the Company which may be benefitted 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 an Order authorizing the proposed financing 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.

The application should be approved.

O R D E R

IT IS THEREFORE ORDERED that the application of PacifiCorp for authority to issue its subordinated debt to a special purpose entity in support of preferred securities of the special purpose entity having an aggregate preference on involuntary liquidation of not to exceed $135,000,000 is hereby approved.

IT IS FURTHER ORDERED that the application of PacifiCorp for authority to issue and sell or exchange, from time to time, its fixed or floating rate subordinated debt directly to or with investors in an aggregate principal amount not to exceed $135,000,000 is hereby approved.

IT IS FURTHER ORDERED that PacifiCorp may exercise the separate authorities granted above or both of such authorities provided that the aggregate principal amount of any subordinated debt issued by PacifiCorp not exceed $135,000,000.

IT IS FURTHER ORDERED that PacifiCorp may contribute or sell additional subordinated debt to a special purpose entity in an amount based on the common securities of the special purpose entity and may also enter into guarantee and expense payment agreements, in each case substantially as described in the Company’s application.

IT IS FURTHER ORDERED that the authorizations granted herein are valid so long as PacifiCorp’s senior secured debt has investment grade ratings from at least two nationally recognized rating agencies are at least “A-”.  If the ratings fall below “A-”, PacifiCorp has 60 days to show why the authority for unissued amounts is reasonable and should not be terminated.  This Commission also required “A” schedule with documentation showing that the security issuance utilized will be a low-cost option compared to other preferred stock issues.  This information can be provided simultaneous with the “Report of Securities Issued.”

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

IT IS FURTHER ORDERED that nothing in this Order and no provision of Chapter 9, Title 61, Idaho Code, or any act or deed done or 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 Chapter 9, Title 61, Idaho Code.

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

a.The “Report of Securities Issued” required by 18 CFR 34.10 including a schedule showing the issuance is a low-cost option compared to other preferred stock issues.

b.Verified copies of any agreement entered into in connection with the issuance of subordinated debt pursuant to this order.

c.A verified statement setting forth in reasonable detail the disposi­tion of the proceeds of each offering made pursuant to this order.

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

THIS IS A FINAL ORDER.  Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order.  Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration.  See Idaho Code § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this        day of April 1997.

RALPH NELSON, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

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MYRNA J. WALTERS

Commission Secretary

vld/O:PAC-E-97-2.tc

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

April 7, 1997