DECISION MEMORANDUM

TO:COMMISSIONERHANSEN

COMMISSIONER NELSON

COMMISSIONER SMITH

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STEPHANIE MILLER

DAVID SCHUNKE

DON HOWELL

BEVERLY BARKER

DAVID SCOTT

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WORKING FILE

FROM:TERRI CARLOCK

DATE:April 6, 1998

SUBJECT:PACIFICORP SHORT-TERM DEBT AUTHORITY

AMENDMENT CASE NO. PAC-E-98-1.

RECOMMEND:APPROVAL

PacifiCorp requests authority to replace its current authority under Order Nos.  25696, 26542 and 27151 in Case No. PAC-S-94-3 to increase its borrowing limits for the dollar amount and for the authority period.  Specifically PacifiCorp requests the following:

1)To increase the dollar amount authorized from not more than $1 billion to not more than $1.5 billion in unsecured short-term promissory notes or commercial paper;

2)To increase the amount that may be borrowed under other borrowing agreements to a maximum of $1.5 billion;

3)To extend the authorization period through April 30, 2000.

The agreements are anticipated to have a final maturity of not more than five years.  The debt will be borrowed at current market rates based on (1) the higher of the agent’s prime rate or the federal funds rate plus .5%, (2) the bank certificate of deposit rate plus a margin not to exceed .75% or (3) LIBOR plus a margin not to exceed .6875% depending on the borrowing option utilized.  PacifiCorp will notify Staff of the anticipated terms and file the final terms as part of the “Report of Securities Issued” following issuance.  The borrowing expenses continue to be estimated at the $300,000 amount.Proceeds from the short-term borrowings will be utilized for general utility purposes including improvement or maintenance of service or facilities, construction purposes, acquisition of utility property or to reimburse Company’s treasury.  The short-term lines will allow PacifiCorp to time long-term issuances to meet needs at the least cost (as best predicted).

The protection clause for foreign investors allows for the gross-up for taxes at the investor level if tax laws change to require the payment of additional taxes on this interest.  The Commission in prior circumstances has reserved the regulatory treatment related to any gross-up paid by the Company of any issuances.  I continue to oppose the additional payments.  However, until the situation occurs the overall cost is unknown and it could be shown to be less costly even with the gross-up payments.

At January 31, 1998, PacifiCorp had net utility plant of $7.8 billion and short-term borrowings outstanding of $963 million.  The $1.5 billion authority represents 39% of long-term debt and 12% of total liabilities and credits.

STAFF RECOMMENDATION

Staff recommends approval of the $1.5  billion short-term borrowing facilities.  Authorizing the issuances through April 30, 2000.

I recommend that the regulatory treatment on gross-up provisions be deferred until it occurs to evaluate the overall costs.

COMMISSION DECISION

Should authority to borrow not more than $1.5  billion in short-term debt be approved?

Should the authority to borrow be authorized through April 30, 2000?

Should regulatory treatment of any gross-up provisions be deferred until the situation occurs?

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Terri Carlock

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