

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION OF )  
PACIFICORP FOR AUTHORITY TO (1) BOR- )  
ROW THE PROCEEDS OF NOT MORE THAN )  
\$125,000,000 OF POLLUTION CONTROL REV- )  
ENUE BONDS, (2) ENTER INTO SUCH AGREE- )  
MENTS OR ARRANGEMENTS AS MAY BE )  
REASONABLY NECESSARY TO EFFECT THE )  
BORROWINGS AND TO PROVIDE CREDIT )  
ENHANCEMENT FOR THE BONDS, INCLUD- )  
ING THE ISSUANCE OF FIRST MORTGAGE )  
AND COLLATERAL TRUST BONDS, AND (3) )  
REPLACE OR MODIFY FROM TIME TO TIME )  
THE CREDIT ENHANCEMENT ARRANGE- )  
MENTS SUPPORTING THE BONDS. )**

---

**CASE NO. PAC-S-95-2**

**ORDER NO. 26039**

On April 25, 1995 PacifiCorp (Company) filed its Application, pursuant to Chapter 9, Title 61, of the Idaho Code and Rule 14 of the Commission's Rules of Practice and Procedure for authority to (1) borrow the proceeds of not more than \$125,000,000 of Pollution Control Revenue Bonds (Bonds) to be issued by one or more of the following Counties or municipalities therein: Emery, Utah; Carbon, Utah; Lincoln, Wyoming; Sweetwater, Wyoming; Converse, Wyoming; Campbell, Wyoming; Moffat, Colorado; Routt, Colorado; and Lewis, Washington (Issuers); (2) enter into such agreements or arrangements with the Issuers and with other entities as may be reasonably necessary to effect the borrowings and to provide credit enhancement for the Bonds, including the issuance of its First Mortgage and Collateral Trust Bonds as collateral for the Bonds; and (3) replace or modify from time to time the credit enhancement arrangements supporting the Bonds.

**Company Representations Regarding the Issuance:**

The Issuers will issue the Bonds. The Company will enter into an agreement with the Issuers by which it will receive the proceeds of any such issuance and agree to make payments sufficient to pay principal, interest, and the premium (if any) on the Bonds and to cover certain additional expenses. The aggregate principal amount of the Bonds will not exceed \$125,000,000. In order to achieve a lower cost of money, the Company also expects to enter into one or more

agreements with unrelated third parties, such as commercial banks or insurance companies, to provide further assurance to the purchasers of the Bonds that the principal, the interest and the premium (if any) on the Bonds will be paid on a timely basis. These arrangements may involve the issuance of the Company's First Mortgage and Collateral Trust Bonds as collateral for the Bonds in an amount not greater than the aggregate principal amount of the Bonds.

These borrowings will be made in connection with the issuance of Bonds by the Issuers to finance or refinance air and water pollution control, solid waste disposal and sewage facilities at one or more of the following electric generating plants: Jim Bridger, Carbon, Wyodak, Dave Johnston, Huntington, Hunter, Naughton, Craig, Hayden and Centralia. The Facilities consist principally of systems to remove and finally dispose of particulates and sulfur dioxide from flue gases and certain solid and sewage wastes.

The Company represents that Wyoming, Utah, Washington and Colorado statutes and the Internal Revenue Code permit local governmental agencies to issue bonds, the interest on which is not subject to federal income taxation for most bondholders, for the purpose of the construction of qualified pollution control equipment and solid and sewage waste facilities. The Issuers will be asked to adopt appropriate resolutions providing for the issuance of the appropriate series of the Bonds.

The Company also expects to enter into agreements with a commercial bank or insurance company to provide credit support for the Bonds. The Company may also issue its First Mortgage and Collateral Trust Bonds as collateral for repayment of the Bonds, either alone or in conjunction with bank or insurance company credit support.

The Bonds will be issued pursuant to Indentures of Trust between the Issuers and trustees. Pursuant to agreements between the Issuers and the Company, the proceeds from the sale of the Bonds, other than refundable accrued interest, will be loaned to the Company to finance or refinance the Facilities. Under the loan agreements, the Company will be obligated to pay absolutely and unconditionally, to the extent sufficient funds are not already in the possession of the trustee, the principal, the interest, and the premium (if any) on the Bonds, as well as certain fees and expenses of the Issuers. Under no circumstances will the Bonds and their related costs become an obligation of the Issuers.

To achieve a lower cost of money, the Company may enter into reimbursement agreements, guarantees, pledges, or other security agreements or arrangements to assure timely

payment of amounts due in respect of the Bonds. For example, a letter of credit may be added in order to support the Bonds. In connection with a letter of credit, the Company would enter into a reimbursement agreement under which a bank would issue a letter of credit to support payments in respect of the Bonds. Under the reimbursement agreement, the Company would be required to reimburse each bank for any drawings under its letter of credit. Amounts advanced by a bank under a letter of credit are expected to bear interest based upon various short-term rates. The Company expects that any letter of credit bank will have a long-term credit rating of not less than AA and a short-term rating of not less than A-1/P-1. In the event a letter of credit is obtained, it is expected to have an initial term of three years unless extended by mutual consent of the bank and the Company or replaced by the Company with another letter of credit or an alternative credit enhancement arrangement.

The Company estimates expenses of the offering as follows:

|                             |                    |
|-----------------------------|--------------------|
| Regulatory Agency Fees      | \$ 1,500           |
| Issuer Fees (1)             | 1,000,000          |
| Trustee Fees                | 50,000             |
| Company Counsel Fees        | 100,000            |
| Underwriters' Counsel Fees  | 150,000            |
| Bond Counsel Fees           | 150,000            |
| Accountants' Fees           | 50,000             |
| Consulting Fees             | 37,500             |
| Credit Enhancement Fees (2) | 1,000,000          |
| Rating Agency Fees          | 100,000            |
| Printing Fees               | 70,000             |
| Miscellaneous               | <u>108,000</u>     |
| Total Other Expenses        | <u>\$2,817,000</u> |

- (1) The Company may be required to pay an Issuer's fee to the Issuers to compensate the Issuers for providing the Company the opportunity to issue the Bonds. The Company's past experience indicates that Emery County and Lincoln County will charge such a fee. Although the Company is not familiar with Lewis County's or Routt County's policy regarding such fees, the other Issuers generally have not charged a fee. For purposes of this estimated expense, it is assumed that all Issuers will require the Company to pay an Issuer's Fee. Issuer's Fees are not expected to exceed an effective cost of 0.125 percent per annum of the principal amount over the life of the Bonds.

- (2) Represents initial commitment fee for bond insurance. If a letter of credit is used, credit enhancement cost is not expected to exceed 0.75 percent per annum.

The fees associated with the credit enhancement arrangement are not expected to exceed 0.75 percent per annum. The Company believes, and its experience in previous tax-exempt financings confirms, that the interest savings from enhancing the credit support for the Bonds will exceed the cost of the letter of credit or alternative credit arrangements; that is, the effective cost of the Bonds will be lowered by the credit enhancement arrangements.

Over the life of the Bonds, it may be necessary or desirable to replace one or more letters of credit or alternative credit enhancement arrangements from time to time as, for example, the credit ratings of the various banks (and thus the Company's interest costs) fluctuate or market rates for letters of credit change. The Company therefore requests authority to substitute, as necessary or desirable from time to time, letters of credit or other credit enhancement arrangements for letters of credit or other credit enhancement arrangements then in effect with respect to the Bonds.

The Bonds will be issued with floating or fixed interest rates in several series with an aggregate principal amount not to exceed \$125,000,000.

While floating rate Bonds have a nominal long-term maturity, the obligation will have a "put" feature which enables the holder to tender the bonds at par within a short notice period. Floating rate Bonds will be marketed with one or more put frequencies, including, but not limited to, daily, weekly and monthly puts. Because of the put feature, investors are indifferent to the final maturity of the instrument; as a result, the floating rate Bonds may be structured with the longest maturity justified by the underlying assets being financed, while obtaining rates reflective of short maturities.

In view of the put feature, the Company will enter into an agreement with a remarketing agent who will agree in advance to seek new purchasers for the floating rate Bonds on a best-efforts basis if and when the Bonds are put. To satisfy the investment criteria of potential purchasers, the Company expects to arrange for a letter of credit or insurance contract as a source of credit support and liquidity. For example, a letter of credit will provide amounts required to purchase tendered floating rate Bonds that have not been successfully remarketed immediately, as well as amounts required for payment of scheduled interest and principal at

maturity or through acceleration. The floating rate Bonds not immediately remarketed may thereafter be sold to other investors.

The floating rate Bonds' structure may include the selection of one of several tax-exempt market rate pricing modes, including pricing modes as short as daily and as long as annually. The Bonds may also include an option to convert to a fixed rate mode. The pricing mode selection will depend upon a number of factors, including expectations as to which mode offers the lowest relative rates at the time of issuance. During the time the floating rate Bonds carry a floating rate, the Bonds would be prepayable at par plus accrued interest at the end of any interest rate period.

Subject to market conditions, the Company may choose to issue the Bonds with fixed interest rates. It is expected that interest payments would be made on a semi-annual basis. The fixed rate Bonds may include call provisions at fixed prices at future dates. The Company may choose to purchase credit enhancement from insurance companies to achieve lower borrowing costs because the Bonds would then carry a AAA/Aaa rating. The insurance companies may require the Company to collateralize the Bonds with the Company's First Mortgage and Collateral Trust Bonds. However, if the anticipated interest savings are not sufficient or the terms relating to the bond insurance are considered to be unduly restrictive, the Company may choose not to obtain insurance and may collateralize the Bonds with the Company's First Mortgage and Collateral Trust Bonds in an aggregate principal amount not exceeding the principal amount of the Bonds, thereby providing the Bonds with a credit rating equal to its senior debt (A/A2). The Commission previously authorized the Company to incur the lien of the PacifiCorp Mortgage in Case No. U-1046-158, Order No. 22157. As in its previous issuances, the Company would expect to issue First Mortgage Bonds under the Pacific Power Mortgage and Utah Power Mortgage as the basis for the issuance of its First Mortgage and Collateral Trust Bonds.

The Commission, having considered the application and appended exhibits, the information in its files concerning the Company, the applicable law, and being fully advised in the premises, FINDS and CONCLUDES:

#### 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 1994 were derived from its electric operations and approximately 5 percent of those revenues were derived from its Idaho operations.

The method of issuance is proper.

The Company has paid the fees required by *Idaho Code* §61-129.

### **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 application pursuant to the provisions of *Idaho Code* § 61-901 et seq. and the Application reasonably conforms to Section 14 of the Commission's Rules of Practice and Procedure.

The general purposes for the issuance are lawful purposes under the Public Utility Law of the State of Idaho and are compatible with the public interest. However, this general approval of the general purposes of the issuance 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 transaction 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.

### **ORDER**

IT IS THEREFORE ORDERED that the Application of PacifiCorp for authority to (1) borrow the proceeds of not more than \$125,000,000 of Pollution Control Revenue Bonds

(Bonds) to be issued by one or more of the following Counties or municipalities therein: Emery, Utah; Carbon, Utah; Lincoln, Wyoming; Sweetwater, Wyoming; Converse, Wyoming; Campbell, Wyoming; Moffat, Colorado; Routt, Colorado; and Lewis, Washington (Issuers); (2) enter into such agreements or arrangements with the Issuers and with other entities as may be reasonably necessary to effect the borrowings and to provide credit enhancement for the Bonds, including the issuance of its First Mortgage and Collateral Trust Bonds as collateral for the Bonds; and (3) replace or modify from time to time the credit enhancement arrangements supporting the Bonds, is granted.

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 which may come before this Commission pursuant to its 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.
- b) Verified copies of any agreement entered into pursuant to this Order.
- c) Verified copies of any credit enhancement arrangements entered into pursuant to this order.

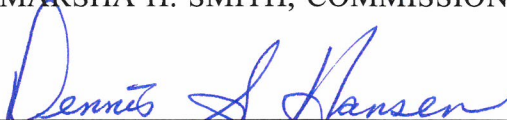
IT IS FURTHER ORDERED that issuance of this Order does not constitute acceptance of PacifiCorp exhibits or other material accompanying the Application for any purpose other than the issuance of this Order.

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.

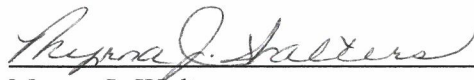
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 30th day of May 1995.

  
RALPH NELSON, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
DENNIS S. HANSEN, COMMISSIONER

ATTEST:

  
Myrna J. Walters  
Commission Secretary

vld/O-PAC-S-95-2.ws