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

|  |  |  |
| --- | --- | --- |
| IN THE MATTER OF THE APPLICATION OFPACIFICORP FOR (1) AUTHORITY TO ISSUEAND SELL OR EXCHANGE NOT MORE THAN$750,000,000 OF DEBT, (2) AUTHORITYTO ENTER INTO CREDIT SUPPORT ARRANGEMENTSAND (3) AUTHORITY TO ENTER INTO CURRENCYEXCHANGES.   | )))))))) | CASE NO. PAC-S-96-1ORDER NO.  26393 |

On February 22, 1996, PacifiCorp (Company) filed its application pursuant to Chap­ter 9, Title 61, of the Idaho Code and Rules 141 through 150 of the Commission’s Rules of Procedure requesting an order authorizing the Company to (1) issue and sell or exchange, in one or more public offerings or private placements, fixed or floating rate debt (Debt) in the aggregate principal amount of not more than $750,000,000 or, if the Debt is issued at an original issue discount, such greater amount as shall result in an aggregate offering price of not more than $750,000,000 (or its equivalent amount in, or based upon, foreign currencies determined at the time of issue), (2) enter into letter of credit arrange­ments with one or more banks or such other agreements or arrangements as may be necessary or appropriate, from time to time, to provide additional credit support for the payment of the principal of, the interest on, and the premium (if any) on the Debt, and (3) enter into one or more currency exchanges.  The Company requests that such authority remain in effect so long as the Company's senior secured debt has BBB or higher ratings from at least two nationally recognized ratings 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 1994 were derived from its electric operations and approximately 5 percent of those revenues were derived from its Idaho operations.

The Company proposes to issue the Debt from time to time in either public offerings or private placements, domestically or overseas, for cash or in exchange for its outstanding securities.  The financial markets have become more internation­al­ized in recent years, and as such, foreign sources of capital compete directly with domestic sources for investment opportuni­ties.  The Company finds that the variety of borrowing options available to it dictate that it have the ability to select the debt instrument, market and maturity that allows it to borrow at a lower all-in cost, consistent with its financial goals.

If the Debt bears a fixed rate, the interest rate will be set at the time of issuance.  If the Debt bears a floating rate, the interest rate will be set periodically based upon a published or quoted index of short-term rates.  The Debt may be publicly or privately placed in the domestic or foreign markets.  Selection of the method of issuance and the location will depend on the relative all-in cost and other benefits of the alternatives being considered.

The types of offerings contemplated by the Company in its application include:

a.Conventional first mortgage bonds placed publicly or privately in the domestic or foreign markets;

b.Secured or unsecured medium-term notes placed publicly or privately in the domestic or foreign markets;

c.Floating rate debt placed publicly or privately in the domestic or foreign markets;

d.Subordinated debt placed publicly or privately in the domestic or foreign markets;

e.Eurodollar financings placed publicly or privately in Europe or Japan; and

f.Debt issued overseas denominated in, or based upon, foreign curren­cies combined with a currency exchange to effectively eliminate the currency risk.

First mortgage bonds have been the traditional debt financing vehicle utilized by utilities in the United States.  First mortgage bonds are secured by a mortgage on the fixed assets of the utility.  The Company's first mortgage bonds are issued as First Mortgage and Collateral Trust Bonds 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.

Medium-term notes are interest bearing instruments with maturi­ties generally ranging between 9 months and 100 years.  Medium-term notes are typically offered on a continuous basis by the borrower through one or more managers which act as agents in placing the notes, either domestically or through global programs.  In some cases, the agents may purchase the notes on an underwritten basis.  Medium-term notes can be offered on a secured or unsecured basis.  If the Company issues secured medium-term notes, they will most likely be issued in the form of First Mortgage and Collateral Trust Bonds under the PacifiCorp Mortgage.

Floating rate debt is a dollar-denominated security that is typically unsecured (i.e., term loan agreement) with interest rates that reset daily, weekly, monthly, quarterly, semi-annually or annually, generally at the option of the Company.  The most common indices used for pricing floating rate debt are based upon London Interbank Offered Rates (LIBOR), commercial paper and Treasury bills.

Subordinated debt has become a more widely used financing alternative in recent years.  Subordinated debt is typically sold in public offerings and listed on the New York Stock Exchange, but could be privately placed.  Subordinated debt would be issued on an unsecured basis and would be subordinate to the Company's other debt; however, it is senior to common stock and preferred stock.

Eurodollar bonds or debentures are dollar-denominated securities issued to European or Japanese investors.  Eurodollar securities are generally placed by a foreign underwriter, or a foreign subsidiary of a U.S. investment or commercial bank (bank).  Eurodollar securities are generally unsecured obligations.  However, the Company may be required to enter into a letter of credit arrangement with one or more banks or such other agreements or arrangements as may be necessary or appropriate, from time to time, to support its obligation to repay the principal of, the interest on, and the premium (if any) on the Debt.  The Company estimates that such an arrangement could involve a fee ranging from 40 to 50 basis points on the principal amount of the Debt.

Foreign currency debt is debt denominated in a currency other than U.S. dollars.  The foreign currencies most frequently used by U.S. companies include Swiss Francs, Deutschemarks, British Sterling, Dutch Guilders, Japanese Yen, European Current Units (ECUs), Canadian Dollars, Australian Dollars and New Zealand Dollars.

A foreign currency offering involves a degree of risk to a U.S. issuer because changes in the relationship between the value of the U.S. dollar and foreign currency may increase the ultimate cost of the debt.  Currency exchanges allow a party to make a series of payments in U.S. dollars in exchange for a series of payments in, or based upon, foreign currencies.  Combining a foreign currency offering with a currency exchange effectively eliminates the currency risk by providing the issuer a stream of foreign currency payments equal to obligations on the foreign debt.

The Company expects to issue the Debt from time to time in either public offerings or private placements for cash or in exchange for its outstanding securities.  Maturities will be established at the time of issuance.

Offering costs are not expected to exceed 3.15% for the Debt.

The expected results of the offering and sale of the Debt are as follows:

ESTIMATED RESULTS OF THE FINANCINGS

Per $100  Total

Gross Proceeds$750,000,000$100.00

Less:  Underwriting Fees at

Approximately 3.15% 23,625,000   3.15

Proceeds Payable to Company$726,375,000$ 96.85

Less:  Other Issuance Expenses     850,000   .113

Net Proceeds to Company $725,525,000$96.737

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 of 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.  To the extent that the funds to be reimbursed were used for the discharge or refunding of obligations, those obligations or their precedents were originally incurred in furtherance of a utility purpose.

Issuances of the 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 requests that such authority remain in effect so long as the Company’s senior secured debt has a BBB or higher ratings from at least two nationally recognized rating agencies.  For the purpose of this authority, we find an A- or higher Senior Secured debt rating is more appropriate.

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 (IDAPA 31.01.01.141-150).

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.  However, 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.

We conclude that for financial review purposes and the continuation of this authority that the Company’s senior secured debt maintain A- or higher ratings from at least two nationally recognized rating agencies.  PacifiCorp shall have 60 days from the date fewer than two nationally recognized rating agencies rate the senior secured debt below A- to demonstrate why the continued debt authority for unissued amounts is reasonable and should not be terminated.

The Application should be approved.

O R D E R

IT IS THEREFORE ORDERED that the application of PacifiCorp for authority to (1) issue and sell or exchange, in one or more public offerings or private placements, fixed or floating rate debt (Debt) in the aggregate principal amount of not more than $750,000,000 or, if the Debt is issued at an original issue discount, such greater amount as shall result in an aggregate offering price of not more than $750,000,000 (or its equivalent amount in, or based upon, foreign currencies determined at the time of issue), (2) enter into letter of credit arrange­ments with one or more banks or such other agreements or arrangements as may be necessary or appropriate, from time to time, to provide additional credit support for the payment of the principal of, the interest on, and the premium (if any) on the Debt, and (3) enter into one or more currency exchanges, is granted.

IT IS FURTHER ORDERED that the authority granted herein is in addition to the authority granted in Case No. PAC-S-93-3, except that the Debt approved by this Order supersedes $250,000,000 of the authority granted in Case No. PAC-S-93-3.

IT IS FURTHER ORDERED that the authority granted herein shall remain in effect so long as the Company's senior secured debt has A- or higher ratings from at least two nationally recognized ratings agencies. PacifiCorp shall have 60 days from the date fewer than two nationally recognized rating agencies rate the senior secured debt below A- to demonstrate why the continued debt authority for unissued amounts is reasonable and should not be terminated.

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.

b.Verified copies of any agreement entered into in connection with the issuance of 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 PacifiCorp shall contact the Commission Staff as soon as possible prior to the issuance of debt for the purpose of reporting the estimated interest rates and other terms of the issuance.  PacifiCorp shall also, after issuance, provide to the Staff work­papers demonstrating the cost effectiveness of the type of security selected for issuance.  These two requirements are for information purposes and are not utilized to determine the legality of the issue.

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 March 1996.

RALPH NELSON, President

MARSHA H. SMITH, Commissioner

DENNIS S. HANSEN, Commissioner

ATTEST:

MYRNA J. WALTERS

Commission Secretary

vld/O:PAC-S-96-1.tc

**COMMENTS AND ANNOTATIONS**

Text Box 1:

**TEXT BOXES**

Office of the Secretary

Service Date

April 4, 1996