Service Date: January 27, 1986

DEPARTMENT OF PUBLIC SERVICE REGULATION

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MONTANA

In the Matter of the Application of PACIFICORP dba PACIFIC POWER & LIGHT COMPANY for (1) authority to issue and sell not more than $210,000,000 of Debt and (2) authority to enter into currency exchanges.	)	UTILITY DIVISION DOCKET NO. 86.1.2 DEFAULT ORDER NO. 5183

On January 13, 1986, PacifiCorp dba Pacific Power & Light Company (Pacific), a corporation organized and existing under and by virtue of the laws of the State of Maine and qualified to transact business in Montana, filed with the Montana Public Service Commission its verified application, pursuant to Sections 69-3-501 through 69-3-507, MCA, requesting an order authorizing Pacific to issue and sell, in one or more public offerings or private placements, prior to December 31, 1987, fixed rate debt (Debt) in the aggregate principal amount of not more than $210,000,000 (or its equivalent amount in, or based upon, foreign currencies determined at the time of issue), and authorizing it to enter into one or more currency exchanges.

The application is supported by exhibits and data in accordance with the rules and regulations of the Commission governing the authorization of the issuance of securities by electric and gas utility companies operating within Montana.

For detailed information with respect to the general character of Pacific's business and the territories served by it, reference is made to its annual reports on file with the Commission.

The application sets forth Counsel who will pass upon the legality of the proposed issuance, the other regulatory authorizations required, and the propriety of the proposed issue.

At a regular open session of the Montana Public Service Commission held in its offices at 2701 Prospect Avenue, Helena, Montana, on January, 27, 1986, there came before the Commission for final action the matters and things in Docket No. 86.1.2 , and the Commission, having fully considered the application and all the data and records pertaining to it on file with the Commission and being fully advised in the premises, makes the following:

FINDINGS

1. Pacific is a corporation organized and existing under and by virtue of the laws of the State of Maine and is qualified to transact business in the State of Montana.

2. Pacific is operating as a public utility as defined in Section 69-3-101, MCA, and is engaged in furnishing electric and water service in Montana.

3. The Commission has jurisdiction over the subject matter of the application under Section 69-3-102, MCA.

4. Notice of the application was published as a part of the Commission's regular weekly agenda.

5. Pacific proposes to sell, in one or more public offerings or private placements, prior to December 31, 1987, fixed rate debt in the aggregate principal amount of not more than $210,000,000 (or its equivalent amount in, or based upon foreign currencies determined at the time of issue).

6. Pacific also proposes to enter into one or more currency exchanges to effectively eliminate the currency risk if it issues its debt denominated in, or based upon, foreign currencies.

7. The types of offerings contemplated by Pacific in its application include:

a. First mortgage bonds placed publicly or privately in the domestic market.

b. Eurodollar financings placed publicly or privately in Europe or Japan.

c. Foreign currency offering combined with a currency exchange.

8. First mortgage bonds have been the traditional debt financing vehicle utilized by utilities in the U.S. First mortgage bonds are secured by a mortgage on the fixed assets of the utility.

9. Eurodollar financings are dollar-denominated securities issued to foreign investors. These securities are generally placed by a foreign underwriter or a foreign subsidiary of a U.S. investment or commercial bank. Eurodollar securities are generally unsecured obligations of the borrower. The issuer receives U.S. dollars at the time of issuance and makes all interest and principal payments in dollars.

10. Foreign currency debt is debt denominated in a currency other than U.S. dollars. The currencies most frequently used by U.S. companies include Swiss francs, German marks, Japanese yen, and European Currency Units (ECU). Underwriters of these securities are similar to the group active in the Eurodollar market.

11. 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 the 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.

12. Offering, issuance, and administrative costs are expected to be less than 1.25 percent if first mortgage bonds are sold. Expenses associated with a Eurodollar financing and a foreign currency offering combined with a currency exchange are expected to be no more than 2.25 and 3.25 percent respectively. Costs of this magnitude are not greater than customary fees for similar services and are reasonable given the cost of rendering the service.

13. The expected results of the offering and sale of the Debt is as follows:

ESTIMATED RESULTS OF THE FINANCING

	Total	Per $100
Gross Proceeds	$210,000,000	$100.00
Less: Underwriting Fees Approximately 3%*	$ 6,300,000	$ 3.00
Proceeds Payable to Pacific	$203,700,000	$ 97.00
Less: Other Issuance Expenses	525,000	0.25
Net Proceeds to Pacific	$203,175,000	$ 96.75

14. The net proceeds of the issuance will be used to reimburse Pacific's treasury for funds expended from income and from other treasury funds that were not derived from the issuance of securities. The funds to be reimbursed were used in furtherance of one or more of the utility purposes authorized by Section 69-3-501 MCA. To the extent that the funds to be reimbursed were used

*Assumes the higher level of fees associated with a foreign currency offering combined with a currency exchange.

for the discharge or refunding of obligations, those obligations or their precedents were originally incurred in furtherance of a utility purpose.

15. Issuances of the Debt proposed are part of an overall plan to finance the cost of Pacific'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 Pacific could sell.

16. The issuance of an order authorizing the proposed financing does not constitute agency determination/approval of any issuance-related ratemaking issues which issues are expressly reserved until the appropriate proceeding.

CONCLUSIONS

The proposed issuance of Debt to which the application relates will be for lawful objects within the corporate purposes of Pacific. The method of financing is proper.

The proposed currency exchanges to effectively eliminate currency risk of a foreign currency offering to which the application relates will be for lawful objects within the corporate purpose of Pacific.

The application should be approved.

ORDER

IT IS THEREFORE ORDERED by the Commission that:

1. The application of PacifiCorp dba Pacific Power & Light Company, filed on January 13, 1986, for authority to issue and sell, in one or more public offerings or private placements, prior to December 31, 1987, fixed rate debt in the aggregate principal amount of not more than $210,000,000 (or its equivalent amount in, or based upon, foreign currencies determined at the time of issue), pursuant to Sections 69-3-501 through 69-3-507, MCA, and to use the proceeds for normal utility purposes, is approved.

2. The application of PacifiCorp dba Pacific Power & Light Company for authority to enter into one or more currency exchanges, is approved.

3. PacifiCorp dba Pacific Power & Light Company 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. Verified copies of any currency exchange agreements entered into pursuant to this order.

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

4. Issuance of this order does not constitute acceptance of PacifiCorp dba Pacific Power & Light Company's exhibits or other material accompanying the application for any purpose other than the issuance of this order.

5. Approval of the transaction authorized shall not be construed as precedent to prejudice any future action of this Commission.

6. Section 69-3-507, MCA, provides that neither the issuance of securities by PacifiCorp dba Pacific Power & Light Company pursuant to the provisions of this order, nor any other act or deed done or performed in connection with the issuance, shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized, issued, assumed, or guaranteed.

7. This order shall be effective upon execution.

DONE IN OPEN SESSION at Helena, Montana, this 27th day of January, 1986, by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

JOHN B. DRISCOLL, Commissioner

DANNY OBERG, Commissioner

TOM MONAHAN, Commissioner

ATTEST:

Trenna Scoffield
Commission Secretary

(SEAL)

Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.