

ORDER NO. 14 268

ENTERED JUL 22 2014

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UF 4288

In the Matter of

PACIFICORP, dba PACIFIC POWER,

Application for Authority to Issue and Sell or  
Exchange Not More Than \$1,575,000,000 of  
Debt, and Enter Into Credit Support  
Arrangements.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on July 22, 2014, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



A handwritten signature in blue ink, appearing to read "Becky L. Beier", is written over a horizontal line.

**Becky L. Beier**  
Commission Secretary

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT**

**PUBLIC MEETING DATE: July 22, 2014**

**REGULAR** \_\_\_\_\_ **CONSENT**   X   **EFFECTIVE DATE** \_\_\_\_\_ **N/A** \_\_\_\_\_

**DATE:** July 15, 2014

**TO:** Public Utility Commission

**FROM:** Matthew Muldoon and Robert Fonner

**THROUGH:** Jason Eisdorfer, Maury Galbraith, and Marc Hellman

**SUBJECT:** PACIFICORP: (Docket No. UF 4288) Requests authority to issue up to \$1,575,000,000 of debt, and enter into credit support arrangements.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve PacifiCorp's, d/b/a Pacific Power (Company) application subject to nine conditions and reporting requirements. The Company has reviewed and agrees with this memo.

**Discussion:**

PacifiCorp filed an application June 30, 2014, pursuant to ORS Chapter 757 in general and more specifically ORS 757.405, ORS 757.410(1), ORS 757.415, and 860-027-0030 for authority to issue and sell or exchange up to an aggregate amount of \$1,575 million (M) fixed- or floating-rate debt (Debt) having maturities of at least one year.<sup>1</sup> The Company has stated that it expects this authority to accommodate its long-term debt financing requirements for the next several years.

Staff concludes that subject to the recommended conditions as provided herein, the proposed issuance satisfies the Commission's and statutory criteria, and recommends that the Commission approve PacifiCorp's application. The order approving PacifiCorp's application will terminate all remaining long-term debt issuance authority granted by prior Commission Orders.<sup>2</sup> Thereafter, Debt may be issued in any

<sup>1</sup> Long-term debt as used in this Staff Report and the Company's application denotes debt having a maturity of over one year. Information regarding debt maturities over the 9 month or 270 day maximum maturity of Commercial Paper, but less than one year is received by Staff for informational purposes only, consistent with ORS 757.415(3).

<sup>2</sup> The termination of prior authority to issue bonds or notes under prior orders is consistent with the Company's application cover page.

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proportion and in any combination of differently sized public offerings or private placements provided that the combined total of these offerings does not exceed \$1,575M, inclusive of any original issue discount (OID). Other conditions and restrictions recommended by Staff are discussed below.

#### **Financial Instruments:**

PacifiCorp states that the Company may issue a mix of First Mortgage Bonds, secured or unsecured debt securities including Medium Term Notes (MTN), or Unsecured Notes having maturities of at least nine months. Secured MTNs will most likely be issued in the traditional form of First Mortgage Bonds (FMB). In addition to fixed rate debt, PacifiCorp may issue floating-rate debt with interest rates that reset periodically (e.g., daily, monthly, quarterly, or semi-annually).

Staff Recommendation: As a general matter, interest rates for floating rate debt may be periodically reset and are often based on a fixed spread over 1-, 2-, 3-, or 6-month London Interbank Offering Rates (LIBOR) as reported on Bloomberg. Staff recommends that in no case, will the fixed spread over pertinent LIBOR exceed 1.5 percent. This spread allows sufficient headroom to attract investors at competitive rates under current market conditions. In the unlikely event that LIBOR is not reported or is unavailable, PacifiCorp may use a rate from another recognized source (e.g. Three-Month Eurodollars (Mid Rates) as published in the Wall Street Journal) or a rate intended to approximate LIBOR.

#### **International Financing:**

The Company states that it anticipates issuances will be primarily fixed rate First Mortgage Bonds, but is requesting authority for a variety of borrowing options in order to provide financial flexibility, to obtain lower all-in cost, to reduce risk, and to broaden access to investors. For example, Eurobonds are issued outside the jurisdiction of any single country to investors in various countries by an international syndicate. Eurobonds denominated in U.S. dollars are referred to as Eurodollar Bonds. Eurodollar bonds generally are priced at a spread over like maturity U.S. Treasuries (UST). Unsecured Eurodollar financing may require a supporting letter of credit.

#### **Credit Support and Letters of Credit (LC):**

The Company also states that it may enter into U.S. credit support arrangements costing annually up to one percent of principal covered, and into international credit support arrangements costing annually up to three percent of principal covered.

Staff Recommendation: In the next general rate case, the Company must show that the all-in issuance cost of debt supported by a letter of credit or other credit support

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arrangement and issued pursuant to an order in UF 4288, inclusive of LC or other credit support was cost competitive with other reasonable issuance alternatives available to the Company at the times of arrangement and issuance, including, but not limited to FMBs in private placement with delayed draw and FMBs in public offering, both absent credit support. Also in the next general rate case, PacifiCorp must show that it investigated whether unsecured letters of credit provided adequate support at lower all-in cost than secured letter of credit alternatives.

**Credit Ratings as of July 3, 2014:**

PacifiCorp's FMBs are currently rated as:

**Moody's:** A1

**S&P:** A

PacifiCorp's Unsecured Long-Term Debt is currently rated as:

**Moody's:** A3

**S&P:** A-

In general, the interest rate or coupon is higher for unsecured debt because the unsecured ratings are typically one or two notches less than secured ratings. Smaller sized debt issuances may be more advantageous in the private placement market since it provides flexibility of timing and size, and may provide lower issuance costs. Private placements generally do not require rating by rating agencies.<sup>3</sup> But, they do have an implied rating based on the Company's current ratings. Issuances of \$250 million or larger are generally done by issuers as SEC registered debt offerings.

Under the Company's current debt issuance authorization approved by Commission Order No. 10-062 in Docket No. UF 4262, PacifiCorp was required to maintain investment grade ratings with Moody's, S&P and Fitch. The Company now asks that an order authorizing debt issuances remain in effect so long as the Company's senior secured debt has investment grade ratings from any two nationally recognized rating agencies. See Bloomberg July 3, 2014-sourced ratings below:

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<sup>3</sup> Debt in private placement may not be rated and registered.

MOODY'S		FITCH	
1) Outlook	STABLE	15) Outlook	STABLE
2) Issuer Rating	A3	16) LT Issuer Default Rating	BBB
3) Long Term Rating	A3	17) Senior Secured Debt	A-
4) Senior Secured Debt	A1	18) Senior Unsecured Debt	BBB+
5) Senior Unsecured Debt	A3	19) Preferred Stock	BBB-
6) JR Subordinated Debt	WR	20) Short Term	F2
7) Preferred Stock	Baa2	21) ST Issuer Default Rating	F2
8) Short Term	P-2		
STANDARD & POOR'S		DBRS	
9) Outlook	STABLE	22) Senior Secured Debt	WR
10) LT Foreign Issuer Credit	A-	23) Short Term	WR
11) LT Local Issuer Credit	A-		
12) ST Foreign Issuer Credit	A-2	DUFF & PHELPS	
13) ST Local Issuer Credit	A-2	24) Senior Secured Debt	WR
		25) Senior Unsecured Debt	WR
		26) Preferred Stock	WR
		27) Short Term	WR

**Staff Recommended Condition:**

Reviewing Commission jurisdictional energy utility historic bond issues and ratings, Staff finds that an investment grade rating by either Moody's<sup>4</sup> or S&P<sup>5</sup> is sufficient. Often, a pertinent bond series obtained competitive coupon rates while rated only by Moody's or only by S&P. Conversely, Staff has no certainty that ratings by smaller alternate credit entities are adequate to insure competitive market rates. Staff recommends that the Commission require that the utility maintain "investment grade ratings from either of the two largest nationally recognized rating agencies". This proposed flexibility does no harm and may help control aggregate rating agency fees.

**Staff Recommendation Regarding Authorization of Longer than 30-Year Maturities:**

Confidential benchmarking by Staff indicates that issuances of up to 45-year maturity debt at reasonable costs may be available to PacifiCorp. Such longer maturities (i.e. more than 30-years) may lock in historically low coupon rates while reducing pressure on the Company's debt maturity profile. Therefore, Staff's recommended conditions are silent regarding maximum maturity, permitting longer than 30-year maturities when prudent and cost effective.

<sup>4</sup> Staff confirmed credit ratings from Moody's on July 9, 2014, from:  
<https://www.moodys.com/page/search.aspx?spk=qs&tb=1&cy=global&kw=pacificorp>

<sup>5</sup> Staff confirmed credit ratings from S&P on July 9, 2014, from:  
[http://www.standardandpoors.com/en\\_US/web/guest/ratings/entity/-/org-details/sectorCode/UTIL/entityId/101789](http://www.standardandpoors.com/en_US/web/guest/ratings/entity/-/org-details/sectorCode/UTIL/entityId/101789)

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**Interest Rate Hedging Authority:**

In the event that PacifiCorp directly or constructively, engages in interest rate hedging arrangements related to bond issuances, including treasury interest rate locks, treasury interest rate caps, treasury interest rate collars, treasury options, forward starting interest rate swaps, and swap option combinations (swaptions), the Company will meet Staff expectations. The Company does not claim, and Staff has seen no evidence, that any of the above options are necessary or cost effective in comparison to a delayed issuance in private placement at this time. However, the Company wishes to maintain flexibility for possible future hedging activity relating to FMB or Unsecured Notes. The Company does not request, and an authorizing Order in Docket No. UF 4288 does not grant, currency hedging, speculation or investment beyond that necessary to execute bond issuance in global markets.

*Staff Recommendation Regarding Interest Rate Hedging Analysis:*

PacifiCorp's hedging must comply with the Company's internal financing and operating policies. Moreover, the Company recognizes that it should either conduct its own analysis of proposed hedging transactions, or use independent third party analysis, in addition to evaluating an investment bank's indicative analysis. PacifiCorp agrees with Staff, as memorialized here, that before entering into a hedging arrangement for the Debt, it will perform "its own" in-depth analysis of incremental risks and costs represented by hedging, or rely on independent third party analysis.

Proposed hedges should be benchmarked against alternatives inclusive of no hedge and delayed start in private placement addressing outcomes under potential outlier events as well as most likely outcomes. Hedging analyses may be informed by, but should not solely rely on investment bank provided materials. The analyses should place minimal weight on unverified indicative data, and select range of years "snapshot" trend analysis.

The hedging analyses should clearly identify material assumptions and answer the question: "Who wins and who loses, how much money, if assumptions and correlations do not hold true?" The analyses may rely on third party quantitative cost and risk analysis provided by a directly retained independent third party expert firm not associated with investment banks and not in the business of finding or acting as hedging counterparties.

The hedging analyses should capture contemporaneous cost quotes for hedging products, customized to allow the Company to avoid taking on incremental cost and risk in excess of the underlying volatility the Company strives to manage, inclusive of swaps with asymmetric distribution of outcome tails that trade some likelihood of surplus upside potential gain for elimination of downside risk should hedging assumptions and

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expected correlations not hold true. The analyses should also disaggregate any vanilla swaps and standardized hedging product from bond and debt securities issuances, and compare the cost of those products sourced via investment banks against the cost of exchange traded derivatives.

The Company asserts here that it will draw upon experience gained from previous hedging transactions to control the cost of similar future hedging activity, in part to reduce the costs of customized hedging arrangements, including investment bank fees and legal costs of delayed starts in private placements.

PacifiCorp also represents that its hedging policy is a general outline and not an analytic evaluation tool that can be relied upon in lieu of the Company's own case-by-case analysis of whether to enter into a hedge. In addition, the hedging policy allows for multiple accounting methods, and the Company represents that the hedging policy is not an after-the-fact evaluative tool that measures the cost vs. benefit of the hedge and determines the extent to which it managed underlying volatility. Thus the Company represents here that it will: 1) perform its own analysis prior to entering into any hedging; 2) monitor active hedges for unfavorable developments; and 3) carry out after-the-fact hedging evaluations from a rigorous and practical financial operations perspective, understanding that this perspective will not be the same as accounting tests of effectiveness.

For all hedging activity, other than delayed start in private placement with de minimis incremental cost and risk, PacifiCorp will maintain its analysis in a MS Excel spreadsheet form that can be provided to Staff on request. The Company will maintain this analysis at least through the conclusion of its next general rate case in Oregon after each financial hedge is completed or unwound.

**Example:**

Based on the Company's own internal analysis, identifying these action(s) as lower cost and risk against other reasonable alternatives at the time(s), the Company may: 1) Issue floating rate debt and subsequently, 2) Fix that debt, and 3) Retire an interest rate swap, assigning a gain or loss to a subsequent Debt issuance. Note that in this example, executing decisions are predicated on the Company's own analysis and not solely on recommendations or offerings from a counterparty investment bank.

Staff Recommendation Regarding Spreads Over U.S. Treasuries' (UST) Yields:

The Company's requested "Maximum Spreads over Benchmark Treasury Yields" on page 1 and 2 of Exhibit N of its Application are replaced by values shown in Attachment A to this memorandum. Staff's lower recommended values in Attachment A are based in part on Bloomberg (BB) data summarized by the graphs in Attachment C. Limits shown in Attachment A allow adequate headroom for the Company to issue FMB and

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debt securities under financial market conditions anticipated by the Board of Governors of the Federal Reserve System over the next several years.<sup>6</sup>

Further, Staff sees few if any recent U.S. utility bond issuances with 15-, 20-, or 25-year maturities. When those unutilized maturities are removed from Attachment C, Staff's recommended spread over UST provides adequate headroom for the Company's likely 10-year or less, and 30-year Debt issuances. Staff's recommended spreads are higher than like dockets in part because this authorization is intended to permit PacifiCorp to borrow to meet its utility obligations for four to five years. However, this relatively long view does not relieve the Company of demonstrating in a rate case, that executed spreads were indicative of market conditions prevailing at time of arrangement and commitment for like rated regulated utility issuances.

Staff Recommendation Regarding Underwriter and Agent Fees:

Appendix A also shows Staff's recommendation regarding the maximum range of allowed agent and underwriting commissions for issuances. Underwriters' commissions represent the maximum commission to be paid by the Company and vary depending on the maturity of the Debt issued (e.g., 0.875 percent is estimated to be the customary and prevailing market fees for issuances with maturity dates of approximately 30 years). Shorter maturities typically require lower commissions than do longer maturities.

Staff's recommended limits on underwriting commissions are stated in basis points (bps) or percentages of aggregate issuance amounts. Under Staff's recommendations, underwriting commissions will not in any case exceed 0.875 percent of gross proceeds for First Mortgage Bonds (approximately \$14 million in aggregate across the requested authorization).

**Other Technical Expenses:**

After netting-out issuance fees as illustrated in Attachment B,<sup>7</sup> the Company expects to achieve approximately \$1,559 million in aggregate net proceeds, not including any OID determined at the time of issuance.

The representative aggregate fees and charges in Attachment B are higher than for recent benchmark issuances.<sup>8</sup> The Company may issue multiple separate sets of Debt

<sup>6</sup> Staff accessed the minutes and materials of the Board of Governors of the Federal Reserve System, minutes of the Open Market Committee released for the meeting of June 17-18, 2014, at <http://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>

<sup>7</sup> Attachment B sets out PacifiCorp's Estimated Representative Issuance Expenses for the FMB and Unsecured Notes issuances.



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spread out over five years rather than a single set of coordinated issuances within the same year. PacifiCorp must show that issuance costs were consistent with component costs for like stand-alone issuances in future audits or general rate cases.

Staff Recommendation Regarding Hard Cap Alternative:

Should all-in spreads exceed the relevant maximum spread over UST set forth in Attachment A, the Company may still issue FMBs or Unsecured Notes without further Commission approval if the all-in rate does not exceed a "hard cap" of 6.0 percent, subject to additional reporting requirements outlined in Condition 6.<sup>9</sup> A 6.0 percent all-in rate "hard cap" allows additional headroom to assure Company access to debt markets under stressed market conditions, while providing reasonable cost controls to protect ratepayers. PacifiCorp asked for a 7.0 percent hard cap, however, Staff finds that a 6.0 percent hard cap is adequate at this time when benchmarked against recent Commission Order No. 14-145. Therein, Portland General Electric Company with lower Credit Ratings was authorized a 6.0 percent hard cap.

Additionally, the Company may incur a new prevailing fee(s), not to exceed an aggregate 10 basis points of affected principal, provided PacifiCorp's next reporting to the Commission demonstrates this cost was new and market-pervasive at time of issuance. This flexibility addresses the potential for an additional fee(s) or charge(s) by investment banks, agents, organizers or other parties that is not part of itemized bond issuance costs routinely encountered in July 2014 bond markets.

**Use of Proceeds:**

The Company states that it may use proceeds for any or all of the following purposes:

1. Construction, facility improvement, and maintenance programs;
2. Retire or exchange outstanding stock, bond, note, or other debt issuances;
3. Reimburse Company treasury for funds previously expended; and
4. Other purposes, as may be permitted by law.

The Company has approximately \$2M of Preferred Stock, \$6,670M of FMBs and \$585M of Pollution Control Revenue Bonds (PCRB) outstanding. Authorization as requested will allow the Company to replace existing borrowing at maturity or raise new debt as shown in Application Exhibit E.

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<sup>8</sup> Staff captured 2013-2014 debt issuance detail reported by the Wall Street Journal, Bloomberg, and SNL Financial LC, for electric utilities that Value Line covers, including PacifiCorp.

<sup>9</sup> See the definition for "All-in Cost" by browsing to the lower right corner of the Commission's home webpage at: <http://www.oregon.gov/PUC/pages/index.aspx>. Then, click the Quick Link: "Standard Data Requests" and scroll to page 32, "Terms."

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There is no single specific large project planned, which this issuance authority would support. Rather the Debt would support usual utility purposes, consistent with statutory requirements.<sup>10</sup> In general, ratepayers benefit to the extent that the Company can optimize timing and cost of financing cash flows to meet utility needs described above.

#### **Early Redemption Features Authorized:**

PacifiCorp may utilize early redemption features to provide financial flexibility. In addition, the Company will stand ready to demonstrate how any early redemption and refinancing executed was cost effective based on prevailing market conditions at the time of execution.

A make-whole redemption feature allows an issuer to call bonds at any time at a cost equal to the future debt service discounted back to the redemption date. Such provisions are usual and generally neutral or to ratepayers benefit. The discount rate for a make-whole provision within a call feature is likely be a rate based on the prevailing treasury yield to remaining maturity plus fewer than 50 basis points. This type of redemption does not typically require the issuer to pay a higher coupon or fee since the bond holder is effectively made whole.

The Company may also choose to implement other redemption features that would provide PacifiCorp an option to call Debt in the future at a price determined at the time of issue. The redemption price can be set at par or at some premium and is dictated by market conditions at the time of sale. These types of call provisions usually require that the issuer pay a higher coupon or interest rate to compensate the bondholder for the risk that their bonds may be called prior to maturity. Such provisions may also require a breakage fee or indemnification for any loss or costs.

#### **Capital Structure:**

PacifiCorp roughly targets a long-term 50/50 Debt/Equity capital structure. The ability to issue additional Debt should allow the Company to remain near this target. An order refreshing the Company's authorization to issue Debt is consistent with the Company's utility obligations.

#### **Selection of Agents:**

Selection of agents, underwriters and external counsel may include entities familiar with the Company's outstanding debt based in part on knowledge of the Company's business, and proven ability to place debt, and to provide cost effective services. The Company may select additional service providers for the issuance of Debt as it deems appropriate.

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<sup>10</sup> The Company's intended uses mirror those authorized in ORS 757.415(1).

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**No Harm:**

Staff review of this application indicates that the debt issuance requested will do no harm and can be expected to benefit ratepayers. When issuing securities other than fixed rate FMBs without hedging other than delayed start in private placement, PacifiCorp agrees that the Company will perform its own case-by-case in-house analysis or retain its own independent third-party experts to ensure that ratepayers bear no unnecessary incremental cost or risk from hedging activities.. Based on that representation, not on Company hedging or accounting policies, Staff recommends approval of PacifiCorp's application as modified by this report. The Company has reviewed and agrees with the terms of this memo.

**PROPOSED COMMISSION MOTION:**

The Company's application for authority to issue up to \$1,575,000,000 of Debt, with credit support as necessary, be approved subject to conditions and reporting requirements 1-9 listed below:<sup>11</sup>

**1. Authorization Limit**

Total aggregate bonds and notes issued, sold, or exchanged under this authority shall not exceed \$1,575 million.

Note: If the bonds and notes are issued at an OID not to exceed one percent, such greater amount shall result in an aggregate offering price of not more than \$1,575 million.

**2. Withdrawal of Prior Authorization**

All prior Commission's long-term debt issuance authorization will automatically terminate upon the issuance of a Commission's Order in UF 4288 approving PacifiCorp's Application to issue Debt up to the limits shown in Condition 1.

**3. Cost Requirements**

Subsequent to an authorizing Commission order pursuant to this application, the Company may issue Debt without further Commission approval provided that proceeds are used for lawful utility purposes, and provided either:

- A. All-in rate spread(s) over yield(s) on like maturity UST do not exceed limits set forth in Attachment A. Interest rates on floating rate debt may be periodically reset based on a fixed spread over 1-, 2-, 3-, or 6-month London Interbank Offering Rates (LIBOR) as reported on Bloomberg, or other customary LIBOR sources. In no case for floating rate debt will the fixed spread over pertinent LIBOR exceed 1.5 percent. In the unlikely event that LIBOR is not reported or

<sup>11</sup> The Company has told Staff that it agrees to Staff's proposed conditions and reporting requirements.

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is unavailable, the Company may use a rate from another recognized source intended to approximate LIBOR.

- B. The all-in rate does not exceed a 6.0 percent "Hard Cap," plus an Unanticipated Fee Allowance as defined next. The Company may incur a new prevailing fee(s), not to exceed an aggregate 10 basis points of affected principal, provided PacifiCorp's next reporting to the Commission demonstrates this cost was new and market pervasive at issuance.

Both "A" and "B" above incorporate the restriction that all costs of any hedging associated with any issuance under the authority requested must be accomplished within the all-in spreads or rate specified above.

#### 4. Hedging Limitations

PacifiCorp's hedging must comply with the Company's internal financing and operating policies. Authorization to enter into Interest Rate Hedging Arrangements as requested is predicated upon the Company's completion of the Company's own affirmative comprehensive analysis or use of independent third-party analysis.

Regardless of any prevailing hedging and accounting policies, and regardless of the presence of associated materials generated by investment banks or hedge counterparties, prior to executing any hedging or financial derivative agreement, other than a delayed issuance arrangement of up to one year under a private placement at de minimis incremental cost and at no incremental risk, the Company will perform its own comprehensive analysis regarding hedging costs, benefits and risks, or will obtain expert advice from an entity not associated with investment banks and not offering hedging contracts.

The Company will stand ready to present its hedging analysis to the Commission upon request and will maintain its analysis as described in the body of this report. No currency hedging or speculation is authorized beyond that necessary to execute international Debt agreements.

#### 5. Cost Competitive

- A. Agent and underwriting commissions for the issuance of FMB will not exceed the fees as shown in Attachment A, and will not in any case exceed 0.875 percent of gross proceeds for First Mortgage Bonds.
- B. Credit support arrangements may incur an additional annual cost of up to one percent in the U.S. or up to three percent internationally.
- C. The Company shall demonstrate for all Debt issuances and associated activities inclusive of credit support arrangements that the Company achieved all-in rates that contemporaneously were both competitive and cost effective.

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6. Timely Reporting

- A. The Company will promptly provide a written summary notice through the PUC filing center and through email directly to PUC Staff named on the service list for this docket of any issuance or execution of a bond purchase and sale agreement with a delayed issuance feature occurring under an Order pursuant to this application. A summary notice need only show series name, maturity, coupon rate, principal, and agreement date.
- B. The Company will also provide the Commission with the customary Report of Securities Issued and Disposition of Net Proceeds statements (Reports) no later than 30 calendar days after any transaction has been closed and funded. Reporting denominated in U.S. dollars will include, but not be limited to: total value of the issuance; total and per unit fees and expenses (including external legal costs); interest costs; credit ratings; and an explanation of the Company's choice and cost of placement and level of credit support. To the extent that fees, expenses and invoices are not available within the 30-day period, they will be provided to the Commission in final Reports within 120 days after the transaction has been closed and funded.
- C. For each securities issuance under condition 3-B, the Company shall report to the Commission within 30 calendar days after any transaction is closed and funded regarding the prevailing market conditions and if applicable, the causes for all-in spreads exceeding the relevant spreads specified in Attachment A over the UST benchmark yields leading to use of the hard cap.

7. Termination of Authority

The Company's authorization to issue Debt granted by an Order issued pursuant to this application is terminated if both S&P's and Moody's credit rating for PacifiCorp senior secured debt fall below Investment Grade.<sup>12</sup>

8. Authorization End Date(s)

Provided all conditions and reporting requirements are fulfilled, authorization under an Order issued pursuant to this application will remain in effect until superseded or exhausted. Hedging authority granted herein ends when securities issuance authority ends.

9. Reservation of Judgment Regarding Reasonableness

The Commission will reserve judgment on the reasonableness for ratemaking purposes of the Company's capital costs, capital structure, and the commissions and expenses incurred for security issuance and related activities.

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<sup>12</sup> Investment grade long-term debt is rated BBB- or better by S&P, or Baa3 or better by Moody's. Staff does not foresee a loss of ratepayer perceived protection or value absent ratings by Fitch.

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## Attachment A

Maximum Allowable Agent and Underwriter Commissions,  
 & All-in Spread over UST Yields at Time of Commitment  
 for Fixed Rate FMB and Unsecured Notes  
 in Normal Market Conditions

Maturity		Maximum Underwriters Commission	Long-Term Debt Annual Spread	
At Least	But Less Than		FMB	Unsecured Notes
Years		Basis Points (bps)		
1	1.5	12.5	105	125
1.5	2	15		
2	3	25		
3	4	35		
4	5	45		
5	7	60	125	150
7	10	62.5		
10	12	65	175	200
12	15	67.5	200	225
15	20	75		
20	30	87.5	250	275
30	46			

**Note:** Comparing Bloomberg data<sup>13</sup> for like rated utility bonds, Staff finds that the schedule above provides access to capital under current market conditions with reasonable headroom for fixed rate combinations of issuances in public, and private placement with delayed start at no or minimal incremental cost that may benefit ratepayers [over at least the next several years].

<sup>13</sup> Staff referenced Bloomberg FMB and Unsecured USD indexed data on July 2-3, 2014.

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## Attachment B

### PacifiCorp's<sup>14</sup>

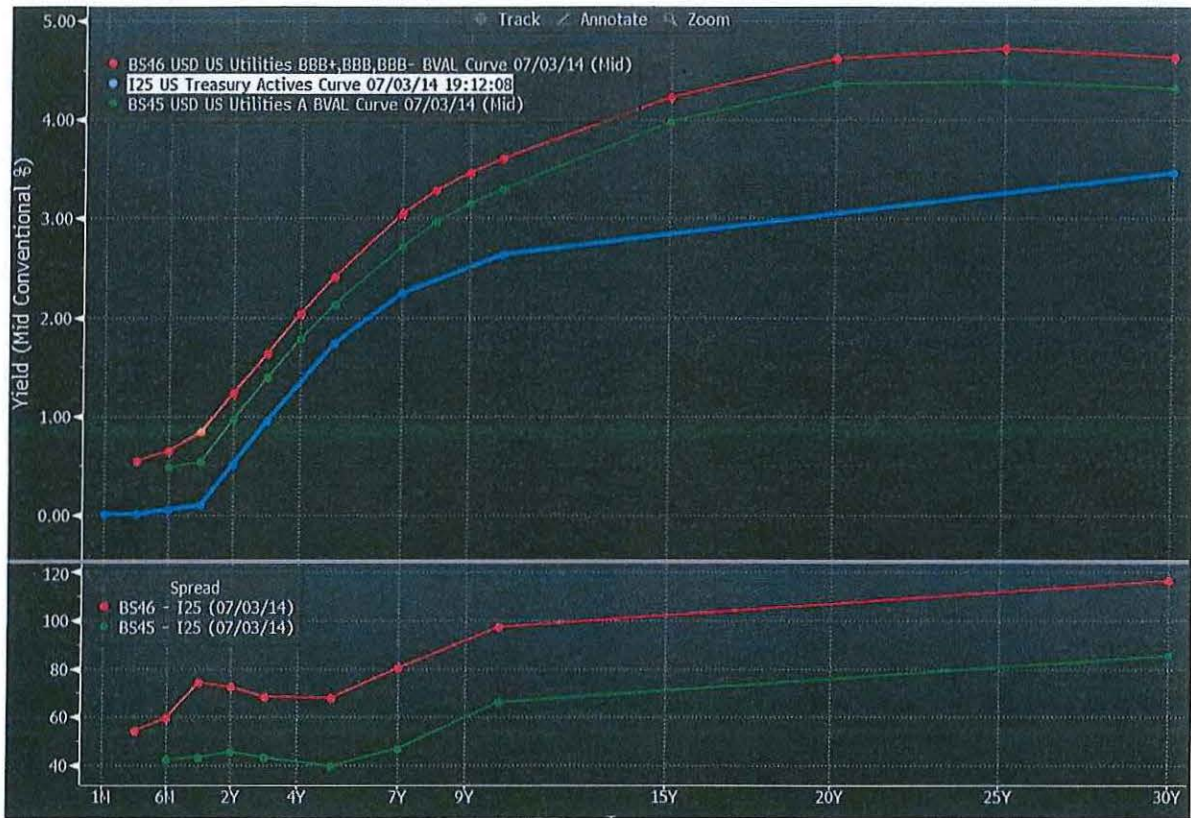
#### Estimated Representative Issuance Expenses

Item	Debt Securities	
	\$	Per \$100
Principal Amount (Face Value)	\$1,575,000,000	\$100
Plus Premium or Less Discount	(Not Applicable)	
Gross Proceeds	<b>\$1,575,000,000</b>	\$100
Underwriter Spread & Commissions	13,781,250	\$ 0.875
SEC Registration	205,000	
Other Regulatory Agency Fees	1,000	
Printing & Engraving	80,000	
Trustee / Indenture Charges	150,000	
(Independent Public) Accounting	325,000	
Rating Agency	700,000	
Miscellaneous Expenses	132,750	
Company Legal Counsel Fees	375,000	
<b>Total Deductions</b>	<b>15,750,000</b>	<b>\$ 1.000</b>
<b>Estimated Realized Net Amount</b>	<b>\$1,559,250,000</b>	<b>\$ 99.000</b>

<sup>14</sup> These representative values are drawn from pages 12 and 13 of the Company's Application.

### Attachment C

#### Bloomberg Current Investment Grade Utility Spreads Over UST Bloomberg CRVF Function Plot Accessed by Staff on July 3, 2014



**Referent Points of Interest:**

10 Year Maturity Range from A rated 68 bps to B rated 96 bps,  
30 Year Maturity Range from A rated 87 bps to B rated 117 bps.