

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
LEGAL
WORKING FILE**

**FROM: JOSEPH TERRY
TERRI CARLOCK**

DATE: FEBRUARY 11, 2021

**RE: PACIFICORP'S REQUEST TO EXTEND ITS SHORT-TERM DEBT
AUTHORITY FOR FIVE YEARS; CASE NO. PAC-E-21-02**

BACKGROUND

On January 25, 2021 PacifiCorp filed an Application requesting a five-year extension in authority to borrow up to \$1.5 billion in short-term debt aggregate principal amount through April 30, 2026. This authority would extend the existing short-term debt authority that expires April 30, 2021, Order No. 33476 (prior authorities under Orders Nos. 32221, 27457, 28346, 28970, 29374, and 29999).

As a condition for the five-year time period, PacifiCorp's senior debt must maintain an investment grade credit rating by both Standard and Poor's Rating Services and Moody's Investor Services Inc. The other terms and conditions will not be changed.

The type of issue (promissory notes, commercial paper, or revolving credit) and terms of issue, including interest rate, will be determined at the date of issue. The short-term debt may include: 1) unsecured short-term promissory notes to and borrow from U.S. or foreign commercial banks (or their affiliates) under the following facilities: (a) not more than \$1.5 billion in aggregate principal amount outstanding at any one time under one or more revolving credit agreements and (b) not more than \$1.5 billion in aggregate principal amount outstanding at any time under other borrowing arrangements; and 2) commercial paper in the U.S. or foreign countries in aggregate principal amount not to exceed \$1.5 billion at any one time.

The extension will provide flexibility and allow PacifiCorp to utilize the time remaining on two existing revolving credit agreements totaling \$1.2 billion. Both credit agreements of up to \$600 million each have current termination dates of June 30, 2022 with a one-year extension option.

Proceeds from the debt issuances will be used for general utility purposes including improvement or maintenance of service or facilities, construction purposes, acquisition of utility property, discharge or refunding of existing issuances or to reimburse the Company's treasury.

The Company's application fee of \$1,000 was submitted under a separate cover. Staff confirmed the application fee was calculated correctly and the Commission received it on February 03, 2021.

STAFF DISCUSSION AND RECOMMENDATION

The requested authority, if approved, will be continuous and would remain in effect until April 30, 2026. As a condition of the continuous five-year term, PacifiCorp must maintain a BBB- or higher senior secured debt rating by Standard and Poor's Rating Services, and a Baa3 or higher senior secured debt rating by Moody's Investors' Service, Inc. PacifiCorp's current senior secured debt ratings are A by Standard and Poor's, and A1 by Moody's.


If PacifiCorp's senior secured debt ratings fall below the investment grade level ("Downgrade"), it is recommended that PacifiCorp's authority not terminate, but instead such authority continue for a period of 180 days from the date of the Downgrade ("Continued Authorization Period") provided that PacifiCorp:

1. Promptly notifies the Commission in writing of the Downgrade; and
2. Files a supplemental application with the Commission within seven days after the Downgrade requesting a supplemental order ("Supplemental Order") authorizing PacifiCorp to continue to incur debt as provided in this Order, notwithstanding the Downgrade. Until PacifiCorp receives the Supplemental Order, any debt incurred or issued by PacifiCorp during the Continued Authorization Period will become due or mature no later than the final date of the Continued Authorization Period.

Staff recommends the authority be granted. The reasonableness of the interest rate and all-in-cost will be evaluated as part of the review of issuance documents in this case and future audits.

COMMISSION DECISION

Should the authority to borrow \$1.5 billion in short-term debt be approved through April 30, 2026? Should the credit rating condition requiring investment grade for senior secured debt be continued?


Joseph Terry

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