August 15, 2005

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
PO Box 2148
Salem OR 97308-2148

Re: Portland General Electric Application for Approval to Lease Property to Siltronic Corporation
Docket No. UP 224

Attention Filing Center:

Enclosed for filing in the above-captioned docket is Portland General Electric's Letter to the Commissioners regarding the above-captioned docket. This document is being filed by electronic mail with the Filing Center.

An extra copy of this cover letter is enclosed. Please date stamp the extra copy and return it to me in the envelope provided.

Thank you in advance for your assistance.

Sincerely,

/s/ BARBARA W. HALLE

BWH:am

Enclosure

August 15, 2005

Via Facsimile and U.S. Mail

Chair Lee Beyer
Commissioner Ray Baum
Commissioner Ray Savage
Public Utility Commission of Oregon
PO Box 2148
Salem OR 97308-2148

Re: Portland General Electric Application for Approval to Lease Property to Siltronic Corporation
Docket No. UP 224

Dear Public Utility Commissioners:

On May 17, 2005, PGE filed an application with the Commission, pursuant to ORS 757.480 and OAR 860-027-0025, for authority to allow PGE to lease a substation for a period of five years to Siltronic Corporation ("Siltronic"). The disposition of this application is on the Regular Agenda for the Public Meeting scheduled for August 16, 2005, Item No. 2. PGE received the Staff Report on this matter on August 11. The Report raises some concerns that PGE intends to address at the Public Meeting. Since the time is short, PGE is providing you with this letter as much in advance as reasonably possible so that you may anticipate the discussion tomorrow.

The Staff Report proposes that the Commission approve the application, subject to 5 conditions. PGE has no concerns with Conditions 1-4. PGE disagrees with the condition that asks PGE to hold all other customers harmless from any revenue effects of this lease agreement (Condition 5). Condition 5 reads as follows:

> PGE agrees to hold other customers harmless during the term of the contract, and any extension, should the revenues received from Siltronic under this agreement be less than those that would be received absent approval. PGE should also be directed to impute such revenues for purposes of any earnings review and other regulatory filings before the Commission.

PGE disagrees with Condition 5 for the following four reasons:

1. This is a request for the Commission to approve a lease agreement under ORS 757.480. The customer will qualify for a standard electric rate, the terms of which have already been approved by the Commission. There is no rate discount requested or at issue here. The terms of the lease agreement as set by PGE cover the cost of service, and that is what Siltronic has agreed to pay. Other customers are not harmed if Siltronic pays the cost of service and takes electricity at a standard, approved rate. This will be true going forward as well, because the lease terms are fixed for the five year term, and whatever electric rate Siltronic pays after PGE's next rate case will have been fully considered by the Commission in the rate case process. Under these circumstances, a hold harmless condition in this docket is unnecessary.

2. Condition 3 in the Staff Report reserves rate treatment of the financial aspects of this transaction for future consideration by the Commission. PGE does not oppose this condition. However, given this condition, it is inappropriate to require PGE to lock in its treatment of the financial aspects of this transaction in the manner described in Condition 5. Condition 3 is sufficient to give the Commission the means to protect other customers, if necessary, from any financial harm that might arise from this transaction.

3. Staff's analysis does not reflect all of the costs and benefits that should be factored into a complete evaluation of this lease agreement for approval purposes. Siltronic is taking on the costs of operation and maintenance of the substation, and the risk of failure of the equipment. This could be as little as the replacement of a burned out wire, or a catastrophic fire that destroys the entire substation. Siltronic has also taken the risk that during the lease term PGE's rates could change. PGE has indicated that it plans to seek changes to the rate design for large nonresidential customers which will likely alter the current demand charge differentials between primary and subtransmission delivery voltage, so this is not merely a speculative risk. If approved, this change in rates could offset or exceed any savings Siltronic may otherwise experience as a result of entering into this lease agreement. Taking all factors into consideration, Condition 5 is inappropriate.

4. Although not specifically stated in PGE's application, Siltronic could have made the decision to build its own substation, thus leaving PGE with excess capacity in the substation under discussion here. PGE has recently experienced such a result with a different customer. In addition, customers like Siltronic may choose to enter into a particular lease agreement as part of a larger calculation of whether to site certain production in PGE's territory or elsewhere. Siting the production elsewhere would likewise result in excess capacity on PGE's system. It is a benefit to other customers to avoid such outcomes. These are other factors that render Condition 5 inappropriate in this case.

For the reasons outlined above, PGE respectfully requests that the Commission approve its application in Docket UP 224 without Staff's recommended condition number 5. PGE will be prepared to discuss and answer questions about the concerns raised in this letter at the Public Meeting on August 16, 2005, and appreciates your taking the time to consider this matter.

Sincerely,

/s/ BARBARA W. HALLE

BWH:am