Oregon

Theodore R. Kulongoski, Governor

Public Utility Commission
550 Capitol St NE, Suite 215
Mailing Address: PO Box 2148
Salem, OR 97308-2148
Consumer Services
1-800-522-2404
Local: (503) 378-6600
Administrative Services
(503) 373-7394

August 25th, 2006

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX 2148
SALEM OR 97308-2148

RE: **Docket No. UE 180/ UE 181/ UE 184** - In the Matter of PORTLAND GENERAL ELECTRIC COMPANY Request for a General Rate Revision (UE 180), 2007 Resource Valuation Mechanism (UE 181) and Request for a General Revision relating to the Port Westward Plant (UE 184).

Enclosed for electronic filing in the above-captioned docket is the Public Utility Commission Staff's Opening Testimony.

/s/ Kay Barnes
Kay Barnes
Regulatory Operations Division
Filing on Behalf of Public Utility Commission Staff
(503) 378-5763
Email: kay.barnes@state.or.us

c: UE 180/UE 181/ UE 184 Service List - parties

PUBLIC UTILITY COMMISSION
OF OREGON

UE 180/UE 181/UE 184

STAFF DIRECTIVE TESTIMONY OF

Bryan Conway

In the Matter of
PORTLAND GENERAL ELECTRIC COMPANY
Request for a General Rate Revision (UE 180),
2007 Resource Valuation Mechanism (UE 181),
And
Request for a General Revision relating to the
Port Westward Plant (UE 184).

<u>REDACTED VERSION</u>

August 25, 2006

CASE: UE 180/UE 181/UE 184
WITNESS: Bryan Conway

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 1200

Direct Testimony

August 25, 2006

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Bryan Conway. My business address is 550 Capitol Street NE, Suite 215, Salem, Oregon 97301-2551. I am employed by the Public Utility Commission of Oregon (OPUC) as the Program Manager of the Economic and Policy Analysis Section in the Economic Research and Financial Analysis Division.

Q. ARE YOU THE SAME BRYAN CONWAY WHO SPONSORED STAFF/1100?

A. Yes. My Witness Qualifications Statement is found on Exhibit Staff/1101, Conway/1.

Q. HAVE YOU PREPARED AN EXHIBIT?

A. Yes, I have prepared Staff Exhibit 1201 consisting of 53 pages and Staff Exhibit 1202 consisting of 6 pages.

Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

A. The purpose of my testimony is to review the cost of long-term debt for Portland General Electric (PGE or Company).

Summary Recommendation

Q. WHAT IS YOUR SUMMARY RECOMMENDATION?

A. I recommend the Commission reject the Company's proposed cost of long-term debt and adopt Staff's recommendation of 6.30 percent.

Embedded Cost of Long-Term Debt

Q. WHAT IS LONG-TERM DEBT?

A. Long-term debt is debt with a maturity of more than one year.

Q. WHAT IS PGE'S PROPOSED COST OF LONG-TERM DEBT?

A. In Exhibit PGE/1100, Hager-Valach/3, PGE proposes its embedded cost of long-term debt be 6.69%. On August 4, 2006, PGE updated its cost of debt estimate to 6.826%

Q. HOW DID PGE ARRIVE AT THE 6.826% FIGURE?

A. PGE follows the same process it used to calculate the embedded cost of preferred stock except it assumed a new debt issuance (i.e., pro forma debt). PGE similarly used an average monthly balance approach for some of its pro forma debt.

Q. WHAT IS STAFF'S FORECAST OF PGE'S EMBEDDED COST OF LONG-TERM DEBT?

A. I recommend an embedded cost of long-term debt of 6.30 percent. (*See* Staff/1201, Conway/1.)

Q. WHAT TYPES OF ADJUSTMENTS DO YOU MAKE TO PGE'S EMBEDDED COST OF LONG-TERM DEBT?

A. While I made numerous adjustments to PGE’s analysis, my adjustments fell into three general categories. The first category is corrections. With these adjustments I correct mathematical errors as well as judgment errors regarding how debt is reflected going forward. The second category is the more typical cost of debt adjustment where I re-price

PGE's pro forma or replacement debt to be consistent with current interest rates. The third category of adjustments includes adjustments I use to remove increases in PGE's cost of debt due to the Enron situation.

Q. PLEASE DESCRIBE THE ADJUSTMENTS IN YOUR FIRST CATEGORY.

A. I made two corrections to PGE's analysis. I found that PGE's calculations for the internal rate of return (IRR) did not match the IRR calculation from my Excel worksheet. Accordingly, I recalculated PGE's IRR for each debt issuance. While the correction was not consistently in one direction or another, the result was a slightly lower embedded cost of debt.

The second correction I made was to use the actual amount of the planned issuance rather than the "average" gross proceeds from PGE's analysis. PGE projects that it will issue $100 million around July 2007, but uses a monthly average balance for 2007 of $54 million for the gross proceeds rather than the full amount of the expected issuance. Because the fees are not similarly "averaged," the resulting IRR is inflated. Further, because the assumed debt in 2007 is less expensive than PGE's embedded cost of debt, assuming a lower balance inflates PGE's estimate of its overall embedded cost of debt.

Q. PLEASE DESCRIBE THE ADJUSTMENTS IN YOUR SECOND CATEGORY.

A. I made two adjustments in this category. First, I removed "losses on reacquired debt." Second, I re-priced PGE's pro forma debt issuance to reflect updated interest rates and spreads.

Q. WHY DID YOU REMOVE THE LOSSES ON REACQUIRED DEBT FROM YOUR CALCULATION OF THE EMBEDDED COST OF DEBT?

A. There are several reasons for excluding the losses on reacquired debt. First, the losses on reacquired debt should not be reflected in rates because the debt securities are no longer outstanding and no replacement debt has been identified. Second, the expenses are non-recurring in nature, and as such should not be included in rates. Third, PGE did not show that customers were best served by the early redemption. In other words, there is no reliable evidence that customers benefited from the early redemption of the debt securities. (*See* PGE's response to Staff DR 190 attached as Staff/1201, Conway/2.)

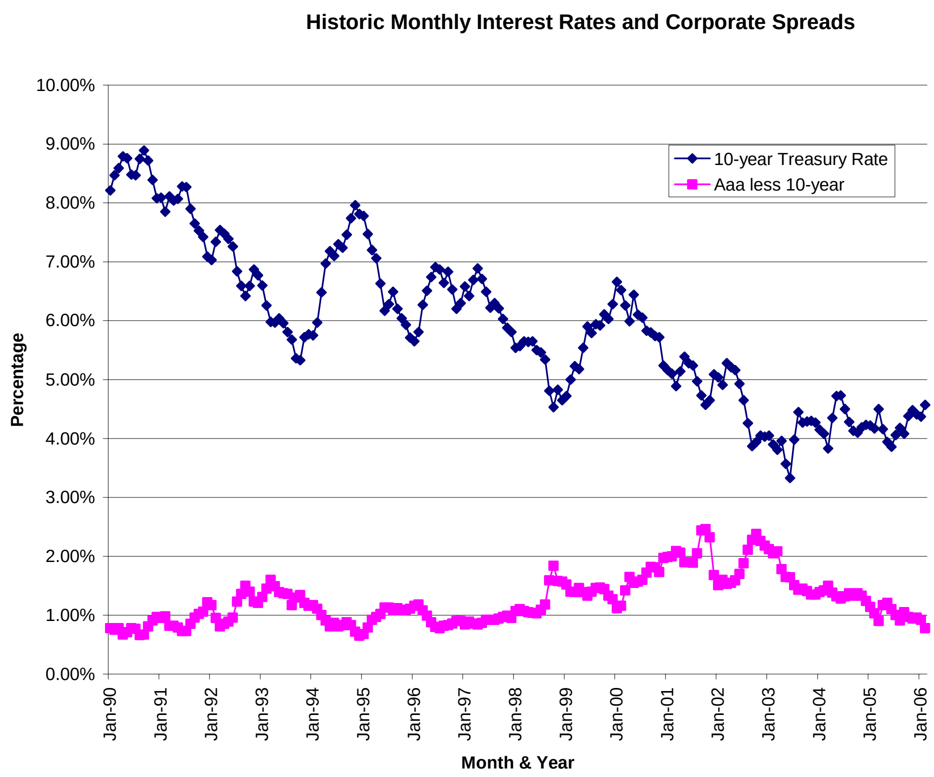
Q. HAS THE COMMISSION PREVIOUSLY RULED ON THE INCLUSION OF UNAMORTIZED EXPENSES ASSOCIATED WITH REACQUIRED SECURITIES?

A. Yes. In Docket No. UE 116, the Commission excluded the unamortized expense associated with PacifiCorp's Quarterly Income Debt Securities (QUIDS) because the securities were no longer outstanding and PacifiCorp had not replaced them with new debt, they were not recurring and also, PacifiCorp had not shown how early redemption of the securities benefited customers. *See* Order 01-787 at 19. The Commission decision in that case remains sound and should be applied in this case.

Q. WHY SHOULD CONTEMPORANEOUS INTEREST RATES AND SPREADS BE USED?

A. Spreads and interest rates are not independent. Historically, spreads decline as interest rates rise. This phenomenon is demonstrated by Chart 1. Further, many other factors can impact spreads, such as the credit quality of the utility, its parent's credit quality, and the credit industries comfort with management's direction and the energy industry as a whole.

Chart 1:



Q. PLEASE EXPLAIN HOW YOU OBTAINED YOUR ESTIMATE OF THE CREDIT SPREAD FOR THE PRO FORMA DEBT.

A. I accepted PGE's estimate for its current spread over Treasuries for a 10-year maturity of 90 basis points. (*See* PGE's response to Staff Data Request No. 55, attached as Staff/1201, Conway/3-4.)

Q. PLEASE EXPLAIN YOUR DECISION TO ASSUME A 10-YEAR MATURITY FOR THE PRO-FORMA DEBT SERIES.

A. Staff generally advocates for a 5-, 7-, and 10-year maturity assumption when estimating the cost of debt for a utility. In this case, Staff is assuming an average maturity of 10 years based partially on the current interest rate environment and relatively flat yield curve. If the Commission were to determine that a forward interest rate should be applied in this case, then Staff would support a shorter average maturity assumption unless the Commission also finds that the current interest rate environment will persist and the yield curve will remain flat.

It is important to note that the Commission is setting a price for incremental debt, not a maturity schedule. If the Company is able to issue lower-cost debt, then shareholders benefit. Because the Company can choose to issue debt of a shorter maturity, and therefore save on interest expense, assuming too long of a maturity for replacement debt only increases the potential gains to shareholders at the expense of customers. Given the relatively flat yield curve in today's rates, Staff supports the longer-term maturity assumption of 10 years.

Q. WHAT IS STAFF'S RESULTING ESTIMATED INTEREST RATE FOR THE PRO FORMA DEBT?

A. I used the current yield on a reference 10-year Treasury bond on August 17, 2006, which was 4.87% (*See* Staff/1201, Conway/5.) Assuming PGE's estimated issuance costs on its most recent $100 million issuance (approximately 10 basis points) and PGE's estimated credit spread, my projected cost of pro forma debt is (0.90 + 4.87 + .10) = 5.87%.

Q. PLEASE DESCRIBE THE ADJUSTMENTS IN YOUR THIRD CATEGORY.

A. I made six adjustments in this category. Specifically, I re-priced six issuances negatively affected by Enron's ownership.

Q. WHY DID YOU RE-PRICE DEBT AFFECTED BY ENRON'S OWNERSHIP OF PGE?

A. I re-priced the debt, including fees, to ensure that the impact of Enron's ownership on PGE's cost of debt is excluded from rates. This is consistent with Condition No. 6 from Order No. 05-1250, dated December 14, 2005, which states,

> 6. (a) PGE agrees not to seek recovery of increases in the allowed return on common equity and other costs of capital (i) due to Enron's ownership of PGE or (ii) caused by the ownership by the Reserve of 25% or more of PGE's issued and outstanding common stock. These capital costs refer to the costs of capital used for purposes of rate setting, avoided cost calculations, affiliated interest transactions, least cost planning, and other regulatory purposes.
>
> (b) PGE agrees not to seek recovery of increases in PGE's revenue requirement that result from Enron's ownership of PGE.
>
> (c) In connection with Conditions 6(a) (i) and 6(b), PGE shall not make any distribution to shareholders that would cause PGE's

> common equity capital to fall below the level specified in Condition 5 plus $40 million. PGE has agreed to maintain this additional $40 million during the pendency of PGE's next general rate case to assure PGE's financial capacity to absorb adjustment(s), if any, in PGE's revenue requirement resulting from Conditions 6(a)(i) and/or 6(b).
>
> (d) Condition 6(c) shall expire thirty (30) days after the PGE tariffs approved in PGE's next general rate case become effective, without regard to any appeal of the Commission's order approving such tariffs.

Q. WHEN DID ENRON FILE FOR BANKRUPTCY?

A. Enron filed for bankruptcy on December 2, 2001.

Q. WHAT AFFECT DID ENRON'S BANKRUPTCY HAVE ON PGE?

A. Enron's bankruptcy interjected much uncertainty regarding the future of PGE. As would be expected, this uncertainty resulted in higher costs of borrowing. Additionally, because PGE was owned by Enron, it had to rely upon the debt markets and retained earnings for its sources of capital. I believe this left PGE in a precarious situation where it needed to rely upon the debt markets at a time when PGE's future was uncertain.

Q. WAS ENRON'S BANKRUPTCY THE ONLY EVENT YOU CONSIDERED TO HAVE A NEGATIVE EFFECT ON PGE'S COST OF DEBT?

A. No. Enron was attempting to sell PGE just prior to Enron's bankruptcy. Standard & Poor's downgraded PGE by one notch based, in part, on the pending sale I consider this event, as well as the bankruptcy, to set an assumed baseline credit rating. (*See* Staff/1201, Conway/6-7.)

Q. WHAT DO YOU ASSUME AS THE BASELINE CREDIT RATING FOR PGE?

A. I assume PGE has an A rating as it did on November 29, 2001, just prior to Enron's bankruptcy for most of my adjustments. (*See* Exhibit Staff/1202, Conway/1-6.)

Q. WHICH ISSUANCES DID YOU IDENTIFY AS BEING AFFECTED BY ENRON'S OWNERSHIP?

A. I have identified the following six issuances as being affected by Enron's ownership:

1. $100 million 5.6675% Series issued October 28, 2002
2. $150 million 8.125% series issued October 10, 2002
3. $50 million 5.279% Series issued April 8, 2003
4. $50 million 5.35% Series issued August 4, 2003
5. $50 million 6.75% Series issued August 4, 2003
6. $50 million 6.875% Series issued August 4, 2003

The first three of these issues were issued under Order 02-477, which states,

"[t]he interest rate spreads generally appear to be somewhat high, though given the financial pressures that the Company has faced since the Enron bankruptcy filing, such would be anticipated and are in line with recent Commission financing decisions."

Q. DO YOU HAVE ANY OTHER EVIDENCE THAT PGE'S COST OF CAPITAL AND COST OF DEBT WAS NEGATIVELY AFFECTED BY ENRON ISSUES?

A. Yes. I have attached Commission orders in several financing dockets initiated by PGE. (*See* Staff/1201, Conway/8-47.) The Commission issued the orders between October 31, 2001, which is only a few weeks prior to the time Enron declared bankruptcy, and May 31, 2003. The following is a listing of the orders, including a brief discussion:

Order No. 01-911 (October 31, 2001)

On August 14, 2001, PGE obtained Commission authority to issue and sell up to $250 million fixed mortgage bonds (Bonds) and/or senior unsecured debt (Debt), subject to certain conditions. (OPUC Order No.01-726; Docket No. UF 4179.) One of the conditions limited the fixed interest spreads for the Bonds and Debt to a defined table of spreads. In October 2001, PGE asserted that due to changes in capital markets, the previously authorized spreads did not allow it access to the Bond or Debt markets. Statements made by PGE's chief financial officer at a December 10, 2001 Special Public Meeting, which are set forth below, make clear that the "changes" in markets necessitating the increase were the markets' reactions to events unfolding at Enron.

Order No. 01-1048 (December 10, 2001)

Soon after the Commission's October 31, 2001 order increasing the authorized rate spreads for the issuances authorized in UF 4179, PGE requested that they be increased again. PGE filed its application on December 5, 2001, and requested that the issue be taken up as soon as possible at a Special Public Meeting[1]. At the meeting, held on December 10, 2001, PGE's chief financial officer, Jim Piro, made clear that the need for the increased spreads was primarily due to Enron:

> [Chairman Hemmingway:] Do you perceive this difference to be entirely due to the Enron problems or are there things endemic within PGE itself or the market for securities that caused this change?
>
> [Jim Piro:] Tough question because markets are looking at lots of things but primarily I would say this is the result of the Enron situation. The markets' uncertainty around the bankruptcy and trying to understand kind of how we fit in the overall picture with Enron. We did issue an 8-k last week to try to clarify that to the market place. How we are situated relative to Enron. But clearly, as the market is trying to sort out what is going on with Enron that has had some affect on our credit rating as well as our cost of capital.

Additionally, Jay Dudley, PGE's counsel, gave the following assurance:

> [Jay Dudley:] We have made a commitment to the Commission that no issuances under this would affect the [*sic*], would increase the overall cost of capital that we have. And we made that undertaking and after discussions with Staff to be sure that the public interest would be protected.

Order No. 02-292 (April 24, 2002)

This Order approved PGE's request to issue debt insured by a third party. This was described as an "interim solution."

Order 02-384 (June 10, 2002)

In Docket No. UF 4188, PGE requested authority to issue up to $300 million of First Mortgage Bonds to secure the Company's short-term

[1] The audio file from the December 10, 2001 Special Public Meeting can be found at http://apps.puc.state.or.us/agenda/audio/2006/exhibit/spm12102001.mp3

revolving credit facilities. The Commission's order approving the request incorporates the following language: "PGE's request is in response to the financial pressures placed on the Company as a result of the Enron bankruptcy proceedings." (Order No. 02-384, App. A at 2.)

<u>Order No. 02-444</u> (July 9, 2002)

On September 21, 2001, PGE obtained authority to borrow up to $100 million from Enron. The Commission specified, however, that the interest rate had to be less than or equal to PGE's commercial paper rate on the date the loan issued. (OPUC Order No. 01-838; UF 4182.) Subsequently, PGE asked that the Commission modify the restriction on the interest rate because it did not have access to the commercial paper market. (OPUC Order No. 02-444, App A at 2 (Commission adopting staff's statement that "[c]ompany has represented that neither PGE nor Enron has access to the commercial paper market.")).

<u>Order No. 02-477</u> (July 26, 2002)

On July 26, 2002, the Commission issued an order authorizing PGE to issue and sell First Mortgage Bonds (FMB) not to exceed $300 million. In that order, the Commission noted that PGE had recently received authorization for a $250 million issuance of FMB's but had not been able to complete the authorized transaction, and that the current authorization was intended to address PGE's problem: "Order 02-292 was issued to provide the requested authority. To date, the Company has not been able to issue under that Order. The current application is designed to offer more flexible terms while not discounting the potential for finalizing the prior transaction." Additionally Order No. 02-477 states that "[t]he interest rate spreads generally appear to be somewhat high, though given the financial pressures that the Company has faced since the Enron bankruptcy filing, such would be anticipated…"

Order No. 03-317 (May 21, 2003)

In Order No. 03-317, the Commission authorized PGE to secure its 364-day Revolving Line of Credit with up to $200 million of FMBs. The Order states, "PGE represents that the requirement for the FMBs as a security for the Revolver is due in large part to the economic pressures that face the Company resulting from Enron's bankruptcy filing. It is not clear when the pressures will be reduced and when the Company can cost-effectively remove the underlying security offered by the FMBs from the LOC."

Q. HAS PGE MADE ANY OTHER STATEMENTS THAT SUPPORT YOUR ASSERTION THAT ITS COST OF CAPITAL HAS BEEN NEGATIVELY AFFECTED BY ENRON?

A. Yes. PGE has made numerous statements in its filings with the SEC. In its Form 10-K filed on 4/16/2002, PGE states,

> In late 2001, credit rating agencies reviewed their ratings of the Company in response to the announced Stock Purchase Agreement for the sale of PGE to NW Natural and uncertainties surrounding PGE's ability to remain fully insulated from the current financial difficulties faced by Enron in bankruptcy. As a result of these reviews, the Company's ratings were lowered to their current levels, which are investment grade. PGE has experienced higher interest rates for commercial paper and other short-term borrowings as a result.

In PGE’s Form 10-K filed March 17, 2003, PGE states,

> PGE's secured and unsecured debt ratings continue to be investment grade from both Moody's Investors Service (Moody's) and Standard and Poor's (S&P), with Fitch Ratings (Fitch) currently carrying a below investment grade rating on the Company. In their 2002 reviews of PGE ratings, credit agencies cited PGE's reduced financial flexibility resulting from its status as a subsidiary of an insolvent parent (Enron), a difficult capital market environment, and uncertainty regarding ongoing federal investigations into the Company's energy trading activities in the western U.S. power markets. Also cited in such reviews was the expectation that PGE would be sold, the significant credit enhancement and strengthened liquidity resulting from PGE's creation of a ring fence structure (described in the following paragraph), as well as the Company's fundamentally sound operations, healthy capitalization ratios, and levels of earnings and cash flows.

Q. IS THERE ANY OTHER DOCUMENT YOU WOULD LIKE TO REFERENCE?

A. Yes. In an August 8, 2002, release FitchRatings states,

> Based upon the company’s representations, substantive consolidation of PGE in the bankruptcy of Enron seems unlikely due to the separate operation of the utility under its own name, separate officers, maintenance of separate books and records, avoidance of commingling of cash and assets, and practices consistent with Oregon Public Utility Commission conditions in approving the acquisition of PGE by Enron. Since any attempt to consolidate PGE with Enron in bankruptcy is not likely to succeed, there is no apparent advantage to any creditors of Enron or Enron management to force PGE into bankruptcy. Thus, Fitch’s ratings of PGE do not anticipate near-term bankruptcy of the utility, but do contemplate continued reduced financial flexibility, access to funding sources and potential exposure as a member of the Enron control group relating to tax and employee

benefit liabilities and other contingencies. (*See* PGE's response to Staff Data Request No. 60, Attachment 060-A pages 58-59 attached as Staff/1201, Conway/48-49.)

Q. WHAT DO YOU CONCLUDE FROM YOUR REVIEW OF THIS FITCH RELEASE?

A. I conclude the ring fencing implemented by this Commission did not fully insulate PGE from the Enron situation.

Q. WHAT DO YOU CONCLUDE FROM YOUR REVIEW OF THE COMMISSION ORDERS, PGE'S 10-KS, AND THE FITCH RELEASE DISCUSSED ABOVE?

A. I conclude that PGE's cost of debt is higher today due to the Enron situation.

Q. PLEASE DISCUSS YOUR TREATMENT OF THE FIRST ENRON-AFFECTED DEBT ISSUANCE.

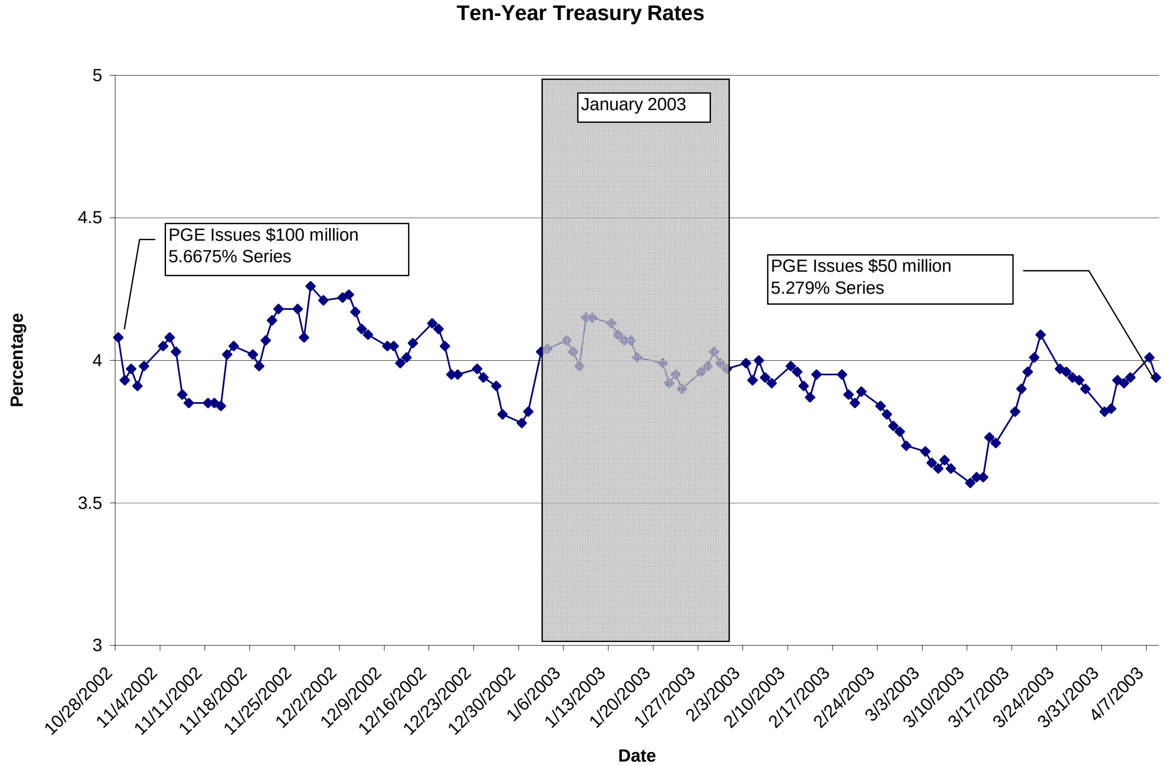
A. The $100 million 5.6675% Series issued October 28, 2002, had an issuance cost of over $12 million (or 12 percent). In contrast, PGE's most recent debt issuances had issuance costs, on average, of 0.68 percent. The high issuance costs associated with the 5.6675% Series issued October 28, 2002, are the result of PGE choosing to have the FMBs insured by Ambac. To offset the Enron effect, I re-priced the bonds assuming PGE was A rated as they were in November of 2001 and assumed an all-in interest rate of 5.19%. I estimated the 5.19 percent based on NW Natural's projected spreads for January 2003 and PGE's fees for its next 10-year issuance in 2003. (*See* Staff/1102, Conway/50-51.)

Q. PLEASE DISCUSS YOUR TREATMENT OF THE SECOND ENRON-AFFECTED DEBT ISSUANCE.

A. The second issuance is the $50 million 5.279% Series issued April 8, 2003. This debt series had an issuance cost of over $4 million (or 8.4 percent). The high issuance costs are the result of PGE choosing to have the FMBs insured by Ambac. I assumed the same interest rate as I did for the 5.6675% Series issued October 28, 2002.

Q. WHAT HAPPENED TO INTEREST RATES BETWEEN OCTOBER 28, 2002, AND APRIL 8, 2003?

A. Interest rates remained relatively stable over that period of time. Chart 1 shows the 10-year Treasury rate over the time period and highlights the January 2003 time frame for comparison purposes.



Q. PLEASE DISCUSS YOUR TREATMENT OF THE THIRD ENRON-AFFECTED DEBT ISSUANCE.

A. The third issuance is the $150 million 8.125% Series issued October 10, 2002. PGE redeemed this debt issuance using a make-whole premium under which PGE pays a premium intended to make the lender indifferent between remarketing the bond at a lower rate and the interest the lender would receive from PGE. This premium was approximately $12.9 million. The two debt series to which PGE allocated this premium are the $175 million 6.31% series issued April 1, 2006, and the $100 million 6.26% issued April 1, 2006. My adjustment simply removes the $12.9 million of unamortized costs associated with a make-whole call.

Q. PLEASE DISCUSS YOUR ADJUSTMENTS TO THE THREE REMAINING DEBT SERIES PGE ISSUED IN AUGUST OF 2003.

A. On August 4, 2003, PGE issued three debt series with maturities of 10, 20, and 30 years. Rather than compare PGE to an "A" rated company or NW Natural, I chose PacifiCorp as the proxy company. PacifiCorp shared many characteristics with PGE during 2003, geographic market (Western US) and Oregon regulation. There are differences, of course, such as PGE's more equity-rich capital structure and PGE's parent, Enron. On November 29, 2001, PGE was rated "A" while PacifiCorp was rated A3 by Moody's (A- by S&P) in part due to the Western Energy Crisis. (*See* Moody's release regarding PacifiCorp attached as Staff/1201, Conway/52-53.) In 2003, PacifiCorp was still rated A-, but PGE had fallen to BBB+. Also, in September 2003, PacifiCorp issued 10-year debt with a coupon rate of 5.45 percent. In contrast, PGE's 10-year issuance from August 2003 was 5.625 percent, a difference of 0.275 percent. I assume this difference between two Oregon utilities is due to PGE's relationship with Enron and I subtract 27.5 basis points from each of the three PGE August issuances.

Q. DO YOU PROPOSE ANY ADJUSTMENTS FOR THE DEBT PGE ISSUED IN 2006, OR PLANS TO ISSUE IN 2007?

A. No.

Q. WHAT IS THE OVERALL AFFECT OF YOUR ADJUSTMENTS RELATED TO THE ENRON SITUATION?

A. The effect of my adjustments categorized as "removing increases in PGE's cost of debt due to the Enron situation" is a decrease to PGE's embedded cost of debt of approximately 41 basis points. I estimate this difference to be worth approximately $4.1 million annually on a pretax basis, or $2.4 million after taxes.

Q. DO YOU PROVIDE A TABLE THAT OUTLINES YOUR ADJUSTMENTS TO PGE'S COST OF DEBT?

A. Yes. Table 1 shows the various adjustments I made to PGE's cost of debt and the corresponding estimated annual revenue impact.

Table 1:

CATEGORY	BASIS POINT ADJ.	EST. REVENUE IMPACT (PRE-TAX/POST-TAX)
No. 1 & No. 2	**12**	**$1.2M/$0.706M**
No. 3	**41**	**$4.1M/$2.4M**
Total		**$5.3M/$3.1M**

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

CASE: UE 180/UE 181/UE 184
WITNESS: Bryan Conway

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 1201

Exhibits in Support
Of Direct Testimony

August 25, 2006

(A)	Ledger (B)	Type (C)	Description (D)	Issue Date (E)	Maturity Date (F)	Term (G)	Coupon (H)	Gross Proceeds (I)	DD&E Issue Costs (J)	Call Premium & Unamort. DD&E of Refunded Issue (K)	Net Proceeds (L) [I-J-K]	Face Amount Outstanding (O)	Net Outstanding (P) [N*O]	Face Amount Weight (Q) [O/Total]	PGE Weighted Rate (R) [Q*M]	Staff Embedded Cost (S)
1	G11514	FMB	5.6675% Series	28-Oct-02	25-Oct-12	10	5.080%	$100,000,000	$817,683	$0	$99,182,317	$100,000,000	$99,182,317	9.578%	0.711%	5.1858%
2	G11515	FMB	5.279% Series	8-Apr-03	1-Apr-13	10	5.080%	$50,000,000	$408,842	$0	$49,591,158	$50,000,000	$49,591,158	4.789%	0.308%	5.1858%
3	G11516	FMB	5.625% Series	4-Aug-03	1-Aug-13	10	5.350%	$50,000,000	$408,842	$1,946,809	$47,644,349	$50,000,000	$47,644,349	4.789%	0.275%	5.9828%
4	G11517	FMB	6.750% Series	4-Aug-03	1-Aug-23	20	6.475%	$50,000,000	$521,342	$1,946,809	$47,531,849	$50,000,000	$47,531,849	4.789%	0.328%	6.9350%
5	G11518	FMB	6.875% Series	4-Aug-03	1-Aug-33	30	6.600%	$50,000,000	$521,342	$1,946,809	$47,531,849	$50,000,000	$47,531,849	4.789%	0.333%	6.9956%
6	G11501	Series MTN	9.31% Series	12-Aug-91	11-Aug-21	30	9.310%	$20,000,000	$176,577	$0	$19,823,423	$20,000,000	$19,823,423	1.916%	0.180%	9.3986%
7		FMB	6.31% Series	1-Apr-06	1-Apr-36	30	6.310%	$175,000,000	$1,125,000	$0	$173,875,000	$175,000,000	$173,875,000	16.762%	1.019%	6.3583%
7.5		FMB	6.26% Series	1-Apr-06	1-Apr-31	25	6.260%	$100,000,000	$750,000	$0	$99,250,000	$100,000,000	$99,250,000	9.578%	0.582%	6.3201%
8		FMB	6.5% Series	15-Jun-07	15-Jun-17	10	5.770%	$100,000,000	$750,000	$0	$99,250,000	$100,000,000	$99,250,000	9.578%	0.629%	5.8702%
9	G40027	Notes	7.875% Series	13-Mar-00	15-Mar-10	10	7.875%	$149,250,000	$1,472,800	$1,266,000	$146,511,200	$149,250,000	$146,511,200	14.295%	1.162%	8.1468%
10	G21186	PCB	Brdmn 98A Fixed	28-May-98	1-May-33	35	5.200%	$23,600,000	$85,850	$1,267,030	$22,247,120	$23,600,000	$22,247,120	2.260%	0.125%	5.5742%
11	G21185	PCB	Clstrp 98A Fixed	28-May-98	30-Apr-33	35	5.200%	$97,800,000	$355,835	$1,617,373	$95,826,792	$97,800,000	$95,826,792	9.367%	0.500%	5.3278%
12	G21184	PCB	Colstrip 98B Fixed	28-May-98	30-Apr-33	35	5.450%	$21,000,000	$76,420	$438,143	$20,485,437	$21,000,000	$20,485,437	2.011%	0.113%	5.6106%
13	G21191	PCB	Trojan 85A Fixed	1-Jul-98	1-Apr-10	25	4.800%	$20,200,000	$218,352	$244,162	$19,737,486	$20,200,000	$19,737,486	1.935%	0.098%	4.9608%
14	G21193	PCB	Trojan 85B Fixed	1-Jul-98	1-Jun-10	25	4.800%	$16,700,000	$180,519	$184,473	$16,335,008	$16,700,000	$16,335,008	1.600%	0.081%	4.9534%
15	G21195	PCB	Trojan 90A Fixed	1-Jul-98	1-Aug-14	16	5.250%	$9,600,000	$103,771	$184,980	$9,311,249	$9,600,000	$9,311,249	0.919%	0.051%	5.5358%
16	G21196	PCB	Troj Ser 1990B-Fixed	15-Dec-90	15-Dec-14	24	7.125%	$5,100,000	$163,234	$0	$4,936,766	$5,100,000	$4,936,766	0.488%	0.036%	7.4123%
17	G21123	PCB	Coyote 96 Float	1-Dec-96	1-Dec-31	35	3.500%	$5,800,000	$159,350	$0	$5,640,650	$5,800,000	$5,640,650	0.556%	0.020%	3.6395%
			Loss on Reacquired Debt							$0	$0					
			Total Debt					$1,044,050,000	$8,295,758	$11,042,588	$1,024,711,654	$1,044,050,000	$1,024,711,654	100.00%	6.2972%	

April 25, 2006

TO: Vikie Bailey-Goggins
Oregon Public Utility Commission

FROM: Patrick G. Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
UE 180
PGE Response to OPUC Data Request
Dated April 10, 2006
Question No. 190

Request:

For each of the following long-term debt series that have been reacquired, please provide a cost-benefit analysis that demonstrates the effect of the series being reacquired. Please identify all assumptions made (e.g., costs of funds) and identify any replacement debt or funds from any other source that were used to reacquire the debt:

- **c. 13.50% FMB Due 10/1/12**
- **d. 9.46 Series Due 08/12/2021**
- **e. 7.75% Series Due 8/15/2023**

Response:

c. PGE does not have a model for "cost-effectiveness" for the 13.50% FMB because it was redeemed in April 1988 and our records do not go back that far. However, because the rate for debt issued has been less than 13.50% throughout the period since the redemption of this issue, this particular redemption is presumably cost effective.

d. PGE provided this information in PGE Response to OPUC Data Request NO. 058 Attachment A

e. PGE provided this information in PGE Response to OPUC Data Request No. 058 Attachment A

CD w/39

April 19, 2006

TO: Vikie Bailey-Goggins
Oregon Public Utility Commission

FROM: Patrick G. Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
UE 180
PGE's *First Supplemental* Response to OPUC Data Request
Dated March 23, 2006
Question No. 055

Request:

What are the Company's current costs of debt , should it be issued, for secured medium term notes with five-, seven-, ten-, twenty-, and thirty-year maturities? Please provide working papers to support any calculations and estimates

Response: (April 7, 2006)

PGE objects to this question on the basis that it is vague and unduly burdensome. It does not refer to the amount of debt that would be issued. Additionally, it calls for a separate study that PGE has not performed. Without waiving its objection PGE replies as follows:

PGE Exhibit 1100 Cost of Capital Work Papers, page 17 provides indicative levels for 10- and 30-year maturities.

First Supplemental Request: (April 11, 2006)

Per clarification from Bryan Conway in an email dated April 11, 2006, OPUC Data Request No. 055 is clarified as follows:

> **Provide indicative quotes from three different investment banks for an issuance of $50 million and $100 million in 5, 7, 10, 15, 20 and 30-year maturities for senior-secured and senior-unsecured bonds, as of the present time. Please include spreads above Treasuries as well as all expenses. If indicative quotes are not available, please provide whatever information the company has available to provide current market pricing for the series identified above.**

First Supplemental Response (April 19, 2006)

The following credit spreads were provided by JP Morgan and Deutsche Bank on April 13, 2006. JP Morgan along with Deutsche Bank is currently leading a group of underwriters to place new PGE first mortgage bonds. The group includes Lehman Brothers, Wells Fargo and Wachovia Bank. It is impossible to provide fee levels as they vary dramatically from transaction to transaction. The investment bankers believe the rates would be similar for either $50 or $100 million.

Portland General Indicative Credit Spreads

Tenor	First Mortgage Bonds	Senior Unsecured
2-year	T+70 bps	T+90 bps
5-year	T+75 bps	T+95 bps
7-year	T+80 bps	T+100 bps
10-year	T+90 bps	T+110 bps
15-year	T+120 bps	T+140 bps
20-year	T+110 bps	T+130 bps
30-year	T+120 bps	T+140 bps

Spreads as of April 13, 2006.

Date	Open	High	Low	Close
22-Aug-06	4.82	4.82	4.8	4.81
21-Aug-06	4.83	4.84	4.82	4.82
18-Aug-06	4.86	4.87	4.83	4.84
17-Aug-06	4.84	4.88	4.84	4.87
16-Aug-06	4.92	4.94	4.86	4.87
15-Aug-06	4.99	4.99	4.91	4.93
14-Aug-06	4.99	5	4.98	5

Source: finance.yahoo.com Ticker=^tnx

Staff/1201
Conway/6

STANDARD &POOR'S CORPORATE RATINGS

Publication date: 07-Dec-2001
Reprinted from RatingsDirect

News

Portland General Electric Co. Ratings Lowered; Remain on CreditWatch

Analyst: William Ferara, New York (1) 212-438-7667; Todd A Shipman, CFA, New York (1) 212-438-7676

NEW YORK (Standard & Poor's) Dec. 7, 2001--Standard & Poor's today lowered its corporate credit rating on Portland General Electric Co. (PGE), a unit of Enron Corp., to triple-'B'-plus from single-'A', and other ratings (see list below). PGE's ratings remain on CreditWatch with negative implications where they were placed on Oct. 8, 2001, reflecting Northwest Natural Gas Co.'s (NWN) agreement to purchase PGE.

The rating action reflects Standard & Poor's belief that the financial incentive for Enron, which has filed for bankruptcy protection, to sell PGE has increased as Enron's need for cash has now intensified. At the same time, the incentive for NWN and the state of Oregon to complete the merger has in no way waned. When the merger transaction closes, Standard & Poor's expects the corporate credit rating of PGE will be in the triple-'B'-rating category.

The CreditWatch listing reflects the potential downward ratings pressure due to the anticipated very high debt level of the combined entity and Enron's bankruptcy filing. To fund the acquisition, about $1.5 billion of short-term debt will be issued, which will ultimately be replaced with permanent financing. Notwithstanding the solid financial and operational performance of the two operating utilities, the high debt balance will create considerable pressure on initial post-merger financial measures. As a result, consolidated leverage will rise dramatically, to more than 70%, when the transaction is completed.

The combination of PGE and NWN will create a moderately low-risk, vertically integrated electric and gas distribution company. The combined entity's above-average business profile reflects supportive regulation, above-average service territory growth, a favorable competitive position, and solid operations. These attributes are somewhat tempered by the company's single-state focus, energy-price volatility in the western U.S., and a slowdown in the regional economy. The companies' diversified activities are minimal and have yet to significantly affect the consolidated credit quality.

Upon closure of the transaction, Standard & Poor's anticipates that the corporate credit ratings of both NWN and PGE will be in the triple-'B'-rating category.

Standard & Poor's resolution of the CreditWatch listing will exhibit a "bottoms-up" analysis, using a consolidated credit assessment based on the financial and business profile of all entities within the newly formed holding company. The review will evaluate the degree of regulatory insulation between the operating utilities and the newly formed holding company, and the appropriate separation of their respective corporate credit ratings. Standard & Poor's expectation is that regulators, after weighing the economic and political implications, will insulate the two operating utilities to a level consistent with the triple-'B' rating category.

The potential for reductions in debt leverage, cost synergies, and expected increased cash flow are positive attributes. Therefore, the combined entity's ability to extract cost savings and enhance cash flow from partially overlapping service territories, greater market knowledge, and increased presence regarding regulatory, political, and consumer advocacy issues will be key to maximizing financial results. Management has stated its commitment to adhere to a strict debt-reduction strategy to strengthen its credit protection measures. Resolution of the CreditWatch will occur near the close of the merger, which is expected in the second half of 2002.

RATINGS LOWERED AND REMAIN ON CREDITWATCH NEGATIVE

	TO	FROM
Portland General Electric Co.		
Corporate credit rating	BBB+/A-2	A/A-1
Senior secured	BBB+	A
Senior unsecured	BBB	A-
Preferred stock	BBB-	BBB+
Commercial paper	A-2	A-1
Subordinated debt type	BBB	BBB+
Preliminary shelf debt/ Senior secured/unsecured/subordinate	BBB+/BBB/BBB	A/A-/BBB+

This report was reproduced from Standard & Poor's RatingsDirect, the premier source of real-time, Web-based credit ratings and research from an organization that has been a leader in objective credit analysis for more than 140 years. To preview this dynamic on-line product, visit our RatingsDirect Web site at www.standardandpoors.com/ratingsdirect.
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ORDER NO. 01-911

ENTERED OCT 31, 2001

This is an electronic copy. Attachments may not appear.

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4179

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY's Application to Amend Order No. 01-726.	)))	SUPPLEMENTAL ORDER

DISPOSITION: APPLICATION APPROVED;
ORDER NO. 01-726 AMENDED

On October 19, 2001, Portland General Electric Company (PGE) filed an application to amend Order No. 01-726. The basis for the current request is detailed in Staff's recommendation memo, attached as Appendix A. Staff's memo was corrected at the public meeting; the third line of the discussion section should refer to First mortgage bonds, not fixed mortgage bonds.

Based on a review of the application and the Commission's records, the Commission finds that this application satisfies applicable statutes and administrative rules.
At its public meeting on October 22, 2001, the Commission adopted Staff's revised recommendation and approved PGE's current request.

ORDER

IT IS ORDERED THAT the application of Portland General Electric Company to amend Order No. 01-726 is approved. Order No. 01-726 is hereby amended to include the new tables and spreads, as specified in Appendix A. All other terms and conditions of Order No. 01-726, shall, to the extent not modified by this order, remain in full force and effect.

Made, entered and effective ________________________________.

BY THE COMMISSION:

____

Rick Willis
Executive Director

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

ITEM NO. A1

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: OCTOBER 22, 2001

REGULAR X **CONSENT** ___ **EFFECTIVE DATE** ______________

DATE: October 19, 2001

TO: Phil Nyegaard and Marc Hellman

FROM: Bryan Conway

SUBJECT: UF 4179—Portland General Electric Co.'s Application to Amend Order No. 01-726.

STAFF RECOMMENDATION:

I recommend that PGE's application be approved. Order No. 01-726 should be amended to include the new tables of spreads, attached herein. All other terms and conditions of Order No. 01-726 should remain in effect.

DISCUSSION:

On October 19, 2001, Portland General Electric Co. (PGE) filed an application to amend Order No. 01-726 dated August 14, 2001. That order granted PGE authority to issue and sell up to $250,000,000 of fixed mortgage bonds (Bonds) and/or senior unsecured debt (Debt) subject to various conditions and reporting requirements. One of the conditions limited the Bonds' and Debt's fixed interest rate spreads (the difference between a Bond's or a Debt's all-in cost and a U.S. Treasury security yield) to a defined table of spreads.

PGE represents that the authorized fixed interest rate spreads in Order No. 01-726 have been too limiting in recent capital market conditions. The company believes that its authorized spreads must be increased by 30 to 40 basis points[1] to allow it sufficient access to the Bond and/or Debt markets.

PGE proposes a new table of spreads. That table of spreads is attached. PGE's requested amendment is reasonable due to unexpected changes in the capital markets.

PROPOSED MOTION:

I move that PGE's application, UF 4179, be approved. Order No. 01-726 should be amended to include the new tables of spreads, attached herein. All other terms and conditions of Order No. 01-726 remain in effect.

Attachment

Interest rate on the Bonds:

The interest rate on the **Bonds** will be determined at the time it is issued. The proposed maximum Spread over applicable treasury for various maturities are listed below. The Bonds may have a feature that allows it to be redeemed prior to maturity at specified prices.

Greater Than or Equal To	Less Than	Maximum Spread Over Benchmark Treasury Yield[2]
3 years	4 years	+ 210 basis points
5 years	6 years	+ 220 basis points
7 years	8 years	+ 230 basis points
10 years	11 years	+ 260 basis points
30 years	31 years	+ 290 basis points

Interest rate on the Debt:

The interest rate on the **Debt** will be determined at the time it is issued based on then current market conditions. The proposed maximum Spread over applicable treasury security for various maturities is listed below. The Debt may have a feature that allows it to be redeemed prior to maturity at specified prices.

Greater Than or Equal To	Less Than	Maximum Spread Over Benchmark Treasury Yield
3 years	4 years	+ 230 basis points
5 years	6 years	+ 240 basis points
7 years	8 years	+ 250 basis points
10 years	11 years	+ 270 basis points
30 years	31 years	+ 310 basis points

[1] Basis point is defined as one-hundredth of a percentage point; i.e. 100 basis points equals 1 percent.

[2] The Benchmark Treasury Yield, with respect to any MTN maturity range, means the yield to maturity of that issue of direct obligations of the United States which, out of all actively traded issues of such obligations with a remaining term to maturity within such MTN maturity range, is generally considered by dealers in such obligations to be the standard for such obligations whether Federal, state or corporate, with approximately the same remaining terms to maturity. With respect to the issuance of any MTN, the Benchmark Treasury Yield shall be determined as of the time the commitment to purchase such MTN is received by the Company and the Agents

ORDER NO. 01-1048

ENTERED DEC 10 2001

This is an electronic copy. Attachments may not appear.

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4179

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY's Application to Amend Order No. 01-911.	)))	SUPPLEMENTAL ORDER

DISPOSITION: ORDER NO. 01-911 AMENDED; WITH CONDITIONS AND REPORTING REQUIREMENTS

On December 6, 2001, Portland General Electric Company (PGE) filed an application pursuant to ORS 757.410 requesting the Commission amend Order No. 01-911. The basis for the current request is detailed in Staff's recommendation memo, attached as Appendix A.

Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its special public meeting on December 10, 2001, the Commission adopted Staff's recommendation to approve PGE's current request.

ORDER

IT IS ORDERED THAT the supplemental application of PGE to amend Order No. 01-911 is granted, subject to the conditions and reporting requirements, as further stated in Appendix A. All other provisions of Order No. 01-911, shall, to the extent not modified by this order, remain in full force and effect.

Made, entered, and effective ____________________________.

BY THE COMMISSION:

____

Rick Willis
Executive Director

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

ITEM NO. 1

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: December 10, 2001

REGULAR X **CONSENT** ____ **EFFECTIVE DATE** ____________________

DATE: December 6, 2001

TO: Phil Nyegaard through Marc Hellman and Bryan Conway

FROM: Thomas D. Morgan

SUBJECT: UF 4179—Portland General Electric Co.'s Application to Amend Order No. 01-911.

STAFF RECOMMENDATION:

I recommend that PGE's application, which is attached, be approved. Order No. 01-911 should be amended to include the new tables of spreads and alternate credit facility, attached herein. The terms and conditions of Order No. 01-911 remain in effect except for those specifically amended by this application.

DISCUSSION:

On December 5, 2001, PGE filed an application, under ORS 757.410 to amend Order 01-911, in which it was granted the authority to issue up to $250 million in first mortgage bonds (FMB) and/or senior unsecured debt (Debt), for uses consistent with ORS 757.415 (1)(a), (1)(b), (1)(c), (1)(d), or (1)(e). PGE requests an expedited supplemental order consistent with its application. PGE is asking for expedited treatment of this amended application because of the expiration of the bank facilities discussed in its application.

PGE originally filed its application for authority to finance $250 million in first mortgage bonds and/or senior unsecured debt in the above docket on July 13, 2001 (Original Application). The Commission granted the application on August 14, 2001, in Order 01-726. On October 19, 2001, PGE requested an amendment to Order No 01-726 to reflect changes in the financial markets. The Commission issued Order No. 01-911 granting the amendment on October 31, 2001. PGE represents that it has not issued any bonds or debt under the authority of these Commission orders.

PGE's application seeks authority to issue the debt or bonds either privately or publicly and at either fixed or floating rates. This application does not increase the previous credit authority, which is maintained at $250 million.

The Company's application discusses the following financing alternatives:

1. Issuance of up to $150 million of debt may be in the form of FMBs with maturity ranging between one and two years at a floating interest rate limited to 350 basis points[1] over LIBOR[2];
2. Issuance of up to $100 million of debt may be in the form of FMBs with maturity ranging between one and five years at either a fixed or floating interest rate with changes to the spreads for any fixed-rate debt from the levels originally approved;
3. A collateralized revolving line of credit. This alternative involves using FMBs as collateral for the revolving credit arrangement.

Total issuances will not have a total face value of more than $250 million.

Tables are included as an attachment and illustrate the spreads that this amendment would grant under each type of security. The spreads requested in this application are to supercede prior authorizations.

Pursuant to Order 01-911, the Company is still authorized to issue debt with maturities up to thirty (30) years.

The Company's application indicated that the fees for underwriters, banks or agents are not expected to deviate from that already authorized. Terms, specific banks, agents or underwriters would be selected at the time of issuance.

---

[1] Basis point is defined as one-hundredth of a percentage point; i.e., 100 basis points equals 1 percent.

[2] LIBOR is the acronym for London Interbank Offered Rate and is the interbank interest rate offered by a specific group of London banks for Eurodollar deposits of a stated maturity. LIBOR is used as a base index for setting rates of some adjustable rate financial instruments.

The interest rates reflect tighter market conditions faced by PGE than those it faced last October. The rates and issuance expenses are within a reasonable range based on the Company's representations regarding the market conditions it now faces.

PGE has also indicated that it would be willing to agree to the following: Any debt issuances under this financing authorization included in any subsequent rate case or earnings review will be included at the lesser of PGE's UE 115 embedded cost of debt or the actual all-in cost of the issuance. PGE's offer helps ensure that the public interest is protected.

PROPOSED COMMISSION MOTION:

PGE's amended application, UF 4179, be approved subject to the conditions and reporting requirements discussed below:

1. All of the conditions in Order No. 01-911 except those specifically modified in this amendment remain in effect.
2. The sum of the issuances under all three options listed by PGE will not exceed the $250 million authority requested in this amendment.
3. Staff proposes that such authorization remain in effect as long as the Company maintains senior secured debt ratings of at least BBB-/Baa3 (i.e., "investment-grade") from Standard & Poor's and Moody's Investors' Service, Inc., respectively.
4. Any debt issuances under this financing authorization included in any subsequent rate case or earnings review will be included at the lesser of PGE's UE 115 embedded cost of debt or the actual all-in cost of the issuance.
5. For ratemaking purposes, the Commission reserves judgment on the reasonableness of the Company's capital costs, capital structure and the commissions and expenses incurred for security issuances. In its next rate proceeding, the Company will be required to show that its capital costs and structure are just and reasonable.

ORDER NO. 01-1048

Attachment

Interest rate on Bonds (Secured Obligations):

Floating Rate Bonds

The proposed maximum Spread over LIBOR is listed below:

Greater Than or Equal To	Less Than	Maximum Spread Over Benchmark LIBOR Yield[2]
366 days	2 years	+ 200 basis points[3]
2 years	5 years	+ 350 basis points

Fixed Rate Bonds

The interest rate on the Bonds will be determined at the time it is issued. The proposed maximum Spread over applicable treasury for various maturities is listed below. The Bonds may have a feature that allows it to be redeemed prior to maturity at specified prices.

Greater Than or Equal To	Less Than	Maximum Spread Over Benchmark Treasury Yield[4]
366 days	3 years	+ 400 basis points
3 years	4 years	+ 425 basis points
5 years	6 years	+ 450 basis points
7years	8 years	+ 475 basis points
10 years	11 years	+ 500 basis points

[3] Basis point is defined as one-hundredth of a percentage point; i.e. 100 points is 1 percent.

[4] The Benchmark Treasury Yield, with respect to any MTN maturity range, means the yield to maturity of that issue of direct obligations of the United States which, out of all actively traded issues of such obligations with a remaining term to maturity within such MTN maturity range, is generally considered by dealers in such obligations to be the standard for such obligations whether Federal, state or corporate, with approximately the same remaining terms to maturity. With respect to the issuance of any MTN, the Benchmark Treasury Yield shall be determined as of the time the commitment to purchase such MTN is received by the Company and the Agents.

Collateralized Revolving Credit Facilities
The interest rate on the credit facilities will be determined at the time it is initiated. The proposed maximum Spread over applicable LIBOR for various maturities is listed below.

Greater Than or Equal To	Less Than	Maximum Spread Over Benchmark LIBOR Yield[2]
366 days	2 years	+ 275 basis points[5]

Interest rate on Debt (Unsecured Obligations):

The interest rate on the Debt will be determined at the time it is issued based on then current market conditions. The proposed maximum Spread over applicable treasury for various maturities is listed below. The Debt may have a feature that allows it to be redeemed prior to maturity at specified prices.

Greater Than or Equal To	Less Than	Maximum Spread Over Benchmark Treasury Yield
366 days	3 years	+ 420 basis points
3 years	4 years	+ 445 basis points
5 years	6 years	+ 470 basis points
7 years	8 years	+ 495 basis points
10 years	11 years	+ 520 basis points

ORDER NO. 02-292

ENTERED APR 24 2002

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4187

In the Matter of	)	
	)	
PORTLAND GENERAL ELECTRIC COMPANY	)	ORDER
	)	
Application for Authority to Issue and Sell Not More Than $250 Million of First Mortgage Bonds.	)	

DISPOSITION: APPLICATION APPROVED; WITH CONDITIONS AND REPORTING REQUIREMENTS

On April 4, 2002 Portland General Electric Company (PGE) filed an application with the Public Utility Commission of Oregon (Commission) pursuant to ORS 757.415, requesting authorization to issue and sell First Mortgage Bonds (FMBs, Bonds or Debt) not more than $250 million.

Based on a review of the application and the Commission's records, the Commission finds that this application satisfies applicable statutes and administrative rules. At its public meeting on April 23, 2002, the Commission adopted Staff's recommendation and approved PGE's current request. Staff's recommendation report is attached as Appendix A, and is incorporated by reference herein.

OPINION

ORS 757.415 specifies requirements of and purposes for which securities and notes may be issued.

The Commission believes that the proposed transaction is reasonably required for the purposes stated, is compatible with the public interest, and is consistent with the proper performance of the Company's public utility service. The proposed transaction will not impair the Company's ability to perform that service. The purposes of the proposed issuance are not, in whole or part, reasonably chargeable to operating expenses or income.

ORDER

IT IS ORDERED that the application of Pacific General Electric Company for authorization to issue First Mortgage Bonds, is granted, subject to the conditions and reporting requirements, as further specified in Appendix A.

Made, entered and effective ________________________________.

BY THE COMMISSION:

____

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

ITEM NO. CA5

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 23, 2002

REGULAR ____ **CONSENT** _X_ **EFFECTIVE DATE** ____________________

DATE: April 19, 2002

TO: John Savage through Marc Hellman and Bryan Conway

FROM: Thomas D. Morgan

SUBJECT: PORTLAND GENERAL ELECTRIC (PGE): (Docket No. UF 4187) Application for Authority to Issue up to $250 million of First Mortgage Bonds.

STAFF RECOMMENDATION:

The Commission should approve Portland General Electric's (PGE or Company) application to issue up to $250 million in First Mortgage Bonds (FMBs, Bonds or Debt) subject to the conditions and reporting requirements discussed below:

1. Debt proceeds under this authority will be used for refinancing funds expended under short term borrowing agreements for obligations of the Company as permitted in ORS 757.415. Available residual borrowing capacity available to the Company from this or prior Commission authorization may be used only for refinancing other currently existing long-term debt or other lawful purposes.
2. The Company will demonstrate that the rate(s) it achieves on new Debt is consistent with market rates or otherwise demonstrate that the rate(s) it achieves is competitive. The demonstrations should be filed as soon as possible after each issuance and sale.
3. The interest rate spreads should be limited as provided for in Table 1, as detailed in this Memo.
4. The Company should demonstrate that any early refunding or any call provision or required sinking fund placed on the issuance is cost-effective.
5. The Company should file the usual Report of Securities Issued and Disposition of Net Proceeds statements as soon as possible after each sale.
6. The authorization should remain in effect as long as the Company maintains senior secured debt ratings of at least BBB-/Baa3 (i.e., "investment-grade") from Standard & Poor's and Moody's Investors' Service, Inc., respectively.

7. For ratemaking purposes, the Commission will reserve judgment on the reasonableness of the Company's capital costs, capital structure and the commissions and expenses incurred for security issuances. In its next rate proceeding, the Company will be required to show that its capital costs and structure are just and reasonable.
8. PGE will provide an analysis that demonstrates that the all-in cost of borrowing through PGE's arrangements with Ambac is less than the market rate for other available bond issuances with like maturities prior to seeking recovery of costs incurred from this borrowing in rates. This analysis will include analysis of bonds throughout the Investment-graded ratings spectrum with issuances of comparable terms.

DISCUSSION:

On April 4, 2002, PGE filed an application to issue new FMBs to be used to refund short-term credit for funds that it represents were used for lawful purposes[1]. The Application states, "The funds from the proposed sale of the Debt will be used to repay commercial paper and other short-term debt of the Applicant. The commercial paper and short-term debt to be repaid were originally incurred to finance the Company's utility construction program during the years 2000 and 2001."

The Company represents that long-term funding is currently available through its FMB program. PGE's FMBs are currently rated investment-grade and the company expects to apply for and receive a rating on any Bonds issued under authority granted through this docket. The Company also represents that no debt downgrading is anticipated as a result of this application and that market reaction from this issuance is generally expected to be favorable since it would free up the Company's short-term borrowing capacity for operational purposes.

The FMBs will be sold by private placement to Ambac Conduit Funding, LLC (Purchaser or Ambac). The Company has indicated that the Purchaser is rated AAA. Ambac will use the proceeds from the sale of its bonds to the public to finance the purchase of the Company's FMBs. Ambac will share with the Company a portion of the difference between the interest rate on its bonds and the rate the Company pays for the FMBs. Based upon recent Federal Reserve Statistical Releases, 10-year AAA rated securities

[1] Purposes allowed by law include the acquisition of utility property, the construction, extension or improvement of utility facilities, the improvement or maintenance of service, the discharge or lawful refunding of obligations that were incurred for utility purposes (such as higher cost debt or preferred stock) or the reimbursement of the Company's treasury for funds used for the foregoing purposes, all as permitted under ORS 757.415(1).

have been yielding approximately 6.5 to 7.0%. The FMBs may include early redemption (call) features and may also contain a sinking fund provision[2], depending upon market conditions.

The Company believes that the interest rate available through Ambac will provide a lower all-in interest cost than other available public or private placements of debt. The term of the loan(s) is expected to be between five and ten years at maximum interest rate spreads as proposed in Table 1.

Table 1. Maximum Spreads

Maturity: Equal to or Greater Than	Maturity: Less Than	Maximum Spread Over Benchmark Treasury Yield[3]
5 years	7 years	+ 310 basis points[4]
7 years	8 years	+ 330 basis points
10 years	11 years	+ 350 basis points

The expenses for issuance, underwriting and insurance total roughly $14,080,000, based on the application provided. The Insurance fee through Ambac is estimated at $12,355,000. This figure is based on a present value calculation and may be revised upon final issuance.

Based on the estimates provided by the Company, the all-in interest cost requested in this application, in any case, should be less than 9.8 percent. This estimate is based on current rates on Treasury securities. This estimate also depends on the maturity and assumes that the market requires rates at the higher-end of the proposed range. If a sinking fund is required, the terms may further increase the all-in cost.

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[2] A sinking fund provision requires the issuer to redeem a portion of the debt issued based on a mandatory schedule, prior to the final maturity, usually at par value. The provisions of the sinking fund enhance the safety of the investment and are reflected in a lower interest rate. In private placement bonds, a sinking-fund requirement is usually mandatory.

[3] The Benchmark Treasury Yield with respect to any medium-term note maturity range means the yield to maturity of that issue of direct obligations of the United States which, out of all actively traded issues of such obligations with a remaining term to maturity within such note maturity rate, is generally considered by dealers in such obligations to be the standard for such obligations, whether federal, state or corporate, with approximately the same remaining terms to maturity. With respect to the issuance of any Securities, the Benchmark Treasury Yield shall be determined as of the time the commitment to purchase such Securities is received by the Company and the agents.

[4] A basis point is defined as one-one-hundredth of a percentage point, i.e., 100 basis points is 1.00 percent.

The issuance and underwriting costs appear reasonable, assuming that the final interest rate reflects the strong credit-worthiness that should be afforded Ambac, based on the AAA rating as represented by PGE. Even though the final, all-in cost of debt may be ideally near the 7.5 to 8.0 percent range, there is a concern that the all-in cost may be somewhat higher than those approved under recent Commission Orders for similar issues. This concern is addressed in the recommended conditions.

This approval, if granted, would provide an effective interim solution to the Company's financing requirements and would provide better liquidity by freeing up its short-term funding sources for operational uses rather than for financing capital plant and equipment, which should, ideally, be financed through longer-term fixed-interest borrowing.

PROPOSED COMMISSION MOTION:

PGE's application, UF 4187 be approved subject to the conditions and reporting requirements proposed by Staff.

ORDER NO. 02-384

ENTERED JUN 10 2002

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4188

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY Application for Authority to Issue and Sell Not More Than $300 Million of First Mortgage Bonds.	))))))))	ORDER

DISPOSITION: APPLICATION APPROVED; WITH CONDITIONS AND REPORTING REQUIREMENTS

On May 29, 2002, Portland General Electric Company (PGE or Company) submitted an application with the Public Utility Commission of Oregon (Commission) requesting authority to issue up to $300 million of First Mortgage Bonds to secure the Company's short-term revolving credit facilities. The basis for the current request is detailed in Staff's recommendation memo, attached as Appendix A and incorporated herein.

Based on a review of the application and the Commission's records, the Commission finds that this application satisfies applicable statutes and administrative rules.
At its special public meeting on June 7, 2002, the Commission adopted Staff's recommendation and approved PGE's current request.

ORDER

IT IS ORDERED THAT the application of Portland General Electric Company for authorization to issue and sell securities, is granted, subject to the conditions and reporting requirements set forth in Appendix A.

Made, entered and effective ________________________________.

BY THE COMMISSION:

Rick Willis
Executive Director

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

ITEM NO. 2

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: June 7, 2002

REGULAR X **CONSENT** ____ **EFFECTIVE DATE** ____________________

DATE: June 10, 2002

TO: John Savage through Marc Hellman and Bryan Conway

FROM: Thomas D. Morgan

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UF 4188) Application to secure two credit facilities with First Mortgage Bonds.

STAFF RECOMMENDATION:

The Commission should approve Portland General Electric's (PGE or Company) application, granting authority to secure its Revolving Lines of Credit (Revolvers) with First Mortgage Bonds (FMBs or Bonds) subject to the conditions and reporting requirements discussed below:

1. Debt proceeds under this authority will be used for refinancing funds expended under short-term borrowing agreements for obligations of the Company as permitted in ORS 757.415. Residual borrowing capacity available to the Company from this or prior Commission authorizations may be used only for refinancing other existing long-term debt and other lawful purposes.
2. This authorization to issue Bonds will remain in effect as long as the Company maintains senior secured debt ratings of at least BBB-/Baa3 (i.e., "investment grade") from Standard & Poor's and Moody's Investors Service, Inc., respectively. Any outstanding Bonds issued under this authority will remain in effect until expiration of the underlying credit facility as described in this Memo.
3. PGE should file the usual Report of Securities Issued and Disposition of Net Proceeds statements as soon as possible after any issuance.
4. When determining the equity capitalization ratio in conjunction with any dividend payments to Enron or any successor, PGE agrees to include the FMBs that have been pledged as security for any Revolvers in the calculation of the ratio pursuant to Condition 6 of the merger stipulation (UM 814).

DISCUSSION:

On May 29, 2002, PGE filed an application with the Commission to approve the creation of a secured obligation under two Revolvers. FMBs will be issued under the Company's existing Mortgage and Deed of Trust and issued as such collateral. The Company requests an expedited order consistent with its application because of the expiration of a bank facility.

PGE is seeking to replace its $200 million, 364-day short-term credit facility that is set to expire on June 12, 2002 with a $150 million facility. PGE's other $150 million credit facility has a three-year-term and does not require renewal until June 27, 2003. Each issuance of Bonds would have a maturity of less than two years and will correspond to the duration of the underlying Revolvers. Additionally, the interest rate on the Bonds will be based on the terms applicable to the underlying Revolvers with maximum spreads ranging between 75 and 350 basis points[1] over LIBOR[2].

The FMBs provided as security pursuant to the approval of this application will allow the Company, in effect, to issue additional securities with the rights consistent with senior secured long-term debt. In the event of default, the senior claim provided to the Revolver(s) creates increased recovery potential.

The expenses for issuance, underwriting and insurance total roughly $75,000, based on the application provided. Such costs appear reasonable.

PGE's request is in response to the financial pressures placed on the Company as a result of the Enron bankruptcy proceedings. The Company represents that the financial pressures have increased due to the termination of the sale agreement between Enron and Northwest Natural Gas (UM 1045). This approval, if granted, would provide an interim solution to the Company's financing requirements and would provide needed liquidity for operational uses.

On June 4, 1997, the Commission entered Order UM 814 requiring PGE to maintain a common equity portion of its capital structure at 48 percent or higher unless the Commission approves a different level.

PGE has represented that it will likely be submitting additional financing applications in the near future for long-term debt issuances. Assuming the issuance of long-term debt anticipated by the Company, Staff believes that PGE will approach the 48 percent equity capitalization limit. Condition 4 under Staff's recommendations specifically addresses this issue.

Additionally, Condition 6 of the Stipulation in UM 814 requires that "PGE shall not make any distribution to Enron that would cause PGE's equity capital to fall below 48 percent of the total PGE capital without Commission approval. The Commission Staff, PGE and Enron may re-examine this minimum common equity percentage as financial conditions change, and may request that it be adjusted."

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[1] A basis point is one-hundredth (1/100) of a percentage point, i.e., 100 basis points is 1.00 percent.

[2] LIBOR is the acronym for London Interbank Offered Rate and is the interest rate offered among a specific group of London banks for Eurodollar deposits of a stated maturity. LIBOR is used as a base index for setting rates of some adjustable rate financial instruments.

Staff believes that the calculation of the equity capitalization ratio should include any amount explicitly pledged to support the Revolver when PGE considers any dividends available for distribution to Enron, regardless of any outstanding balance on the Revolver(s). Staff does not normally include such outstanding balances when determining the equity capitalization ratio because of their short-term nature.

However, if the revolving short-term loan is backed up by long-term FMBs, the total Revolver capacity, not the outstanding balance, would be included in the calculation of the 48 percent equity ratio. This is because if the Company defaults on the short-term unsecured revolver, then the lending syndicate or bank owns FMBs that are secured by the underlying assets of the Company.

While a secured credit facility provided in this docket is authorized or in effect, the Company has agreed to limit any such dividend payments to Enron pursuant to this parameter.

The Company represents that the underlying security provided by the FMBs for the Revolver(s) would provide the Company with needed liquidity. The approval of this application with the proposed conditions will provide access to working capital for PGE.

PROPOSED COMMISSION MOTION:

PGE's application to issue First Mortgage Bonds to provide up to $300 million in security for its Revolving Lines of Credit is approved with Staff's Conditions.

ORDER NO. 02-444

ENTERED JUL 09 2002

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4182

In the Matter of	)	
	)	
PORTLAND GENERAL ELECTRIC COMPANY	)	SUPPLEMENTAL ORDER
	)	
	)	
Application to Amend Order No. 01-838.	)	

DISPOSITION: ORDER NO. 01-838 AMENDED; WITH CONDITIONS

On June 20, 2002, Portland General Electric Company (PGE) filed an application with the Public Utility Commission of Oregon (Commission), requesting the Commission amend Order No. 01-838.

Based on a review of the application and the Commission's records, the Commission finds that this application satisfies applicable statutes and administrative rules. At its public meeting on July 9, 2002, the Commission adopted Staff's recommendation and approved PGE's current request. Staff's recommendation report is attached as Appendix A, and is incorporated by reference herein.

ORDER

IT IS ORDERED THAT the supplemental application of PGE to amend Order No. 01-838 is granted, subject to the conditions, as further stated in Appendix A. All other provisions of Order No. 01-838, shall, to the extent not modified by this order, remain in full force and effect.

Made, entered and effective ________________________________.

BY THE COMMISSION:

____

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

ORDER NO. 02-292

ENTERED APR 24 2002

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4187

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY Application for Authority to Issue and Sell Not More Than $250 Million of First Mortgage Bonds.	))))))))	ORDER

DISPOSITION: APPLICATION APPROVED; WITH CONDITIONS AND REPORTING REQUIREMENTS

On April 4, 2002 Portland General Electric Company (PGE) filed an application with the Public Utility Commission of Oregon (Commission) pursuant to ORS 757.415, requesting authorization to issue and sell First Mortgage Bonds (FMBs, Bonds or Debt) not more than $250 million.

Based on a review of the application and the Commission's records, the Commission finds that this application satisfies applicable statutes and administrative rules. At its public meeting on April 23, 2002, the Commission adopted Staff's recommendation and approved PGE's current request. Staff's recommendation report is attached as Appendix A, and is incorporated by reference herein.

OPINION

ORS 757.415 specifies requirements of and purposes for which securities and notes may be issued.

The Commission believes that the proposed transaction is reasonably required for the purposes stated, is compatible with the public interest, and is consistent with the proper performance of the Company's public utility service. The proposed transaction will not impair the Company's ability to perform that service. The purposes of the proposed issuance are not, in whole or part, reasonably chargeable to operating expenses or income.

ORDER

IT IS ORDERED that the application of Pacific General Electric Company for authorization to issue First Mortgage Bonds, is granted, subject to the conditions and reporting requirements, as further specified in Appendix A.

Made, entered and effective ______________________________.

BY THE COMMISSION:

____
Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

ITEM NO. CA5

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 9, 2002

REGULAR ____ **CONSENT** _X_ **EFFECTIVE DATE** ____________________

DATE: August 17, 2006

TO: John Savage through Marc Hellman and Bryan Conway

FROM: Thomas D. Morgan and Rebecca Hathhorn

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UF 4182) Application to amend existing authorization.

STAFF RECOMMENDATION:

I recommend that PGE's application be approved with conditions. Order No. 01-838 should be amended with the original terms and conditions remaining in effect except those specifically amended by this application and detailed below.

1. The interest rate charged shall be the lesser of (1) the 30-day LIBOR plus 250 basis points, as provided by the Debtor-in-Possession (DIP) financing allowed by the Bankruptcy Court or (2) the average of two bank quotes provided to the company prior to any loan receipts.
2. Use of funds can be expanded beyond refunding PGE's outstanding commercial paper as required in the initial order.
3. Prior to any final loan agreement, PGE shall provide a signed affidavit by a Corporate Officer that includes:
    a. A statement of the amount and use of proceeds with clear support that the uses are consistent with statutory requirements.
    b. If the transaction is for an amount greater than $30 million, PGE shall provide the supplemental order of the Bankruptcy Judge authorizing such.
    c. A statement that PGE has no other sources of short-term borrowing available or that the loan results in savings for PGE. In order to demonstrate the loan results in savings, two bank quotes for a loan of similar terms and conditions will be provided.
    d. An explanation of any restrictions, covenants or conditions imposed by the loan agreement. If any limitations are imposed, they will be detailed along with any financial impact on PGE. The affidavit shall include a statement that any restriction(s) will

not impose any hardship on PGE or will not harm PGE's customers.

4. The termination date shall be extended to 366 days from the date of a Commission approval.

DISCUSSION:

On June 20, 2002, PGE filed an application with the Commission to approve a supplemental order adjusting minor aspects of the initial order (Order 01-838), entered September 28, 2001. Enron can provide up to $30 million to any one subsidiary under the Debtor in Possession (DIP) financing agreement. Any borrowing will be limited to $30 millions as provided by the February 25, 2002 order of Arthur J. Gonzalez, United States Bankruptcy Judge unless the court provides an additional order.

The Company has represented that neither PGE nor Enron has access to the commercial paper market. The interest rate allowed in the initial order required a rate less than or equal to the commercial paper rate as of the date of the loan issuance. The company has requested that the interest rate be amended and be tied to PGE's commercial paper rate or, if PGE is unable to issue commercial paper, that rate would be the average rate quoted by two banks as the rate PGE would otherwise be able to obtain if it were able to issue commercial paper.

Since actual market rates can not be precisely determined, the interest rate accruing to the Company under this application should be the lesser of (1) actual cost, i.e., 250 basis points above the monthly LIBOR, or (2) the average of two bank quotes, commensurate with the interest rate expected for PGE on a stand-alone basis were the commercial paper market accessible to it. Such rate quotes will be provided to the Commission prior to the funding of any loan along with a signed affidavit from an officer of the company indicating that no other source of short-term credit is available to the Company, as detailed in the recommended Conditions.

For ratemaking purposes, the Commission reserves judgment on the reasonableness of the Company's capital costs, capital structure and the commissions and expenses incurred for security issuances. In its next rate proceeding, the Company will be required to show that its capital costs and structure are just and reasonable.

Affiliated Interest Matters:

Staff recommendations continue to support the transfer pricing policy for affiliated interest transactions. The proposed transaction is fair and reasonable and not contrary to the public interest.

PROPOSED COMMISSION MOTION:

PGE's application for a supplemental order to UF 4182 authorizing it to borrow funds from Enron Corporation, an Affiliated Interest, is approved with Staff's Conditions.

ORDER NO. 02-477

ENTERED JUL 26 2002

This is an electronic copy. Attachments may not appear.

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4190

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY Application for Authority to Issue and Sell Not More Than $300 Million of First Mortgage Bonds.	))))))))	ORDER

DISPOSITION: APPLICATION APPROVED; WITH CONDITIONS AND REPORTING REQUIREMENTS

On June 28, 2002, Portland General Electric Company (PGE or Company) filed an application with the Public Utility Commission of Oregon (Commission), requesting authorization to issue and sell First Mortgage Bonds not to exceed $300 million. The basis for the current request is detailed in Staff's recommendation memo, attached as Appendix A.[1]

Based on a review of the application and the Commission's records, the Commission finds that this application satisfies applicable statutes and administrative rules.
At its public meeting on July 23, 2002, the Commission adopted Staff's recommendation and approved PGE's current request.

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[1] At the July 23, 2002 Public Meeting, we noted that the Staff report contained errors and corrections are as follows:
On page 3, sixth paragraph, first line should read, Order *97-196 in docket* UM 814.
On page 4, first paragraph, second line, change 51 percent, providing roughly $175 Million to *49 percent, providing roughly $54 Million.*
On page 4, under Proposed Commission Motion, change PGE's amended application, UF 4179 to *PGE's application, UF 4190.*

ORDER NO. 02-477

ORDER

IT IS ORDERED THAT the application of Portland General Electric Company for authorization to issue and sell securities, is granted, subject to the conditions and reporting requirements, as further specified in Appendix A.

Made, entered and effective ________________________________.

BY THE COMMISSION:

____

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

ORDER NO. 02-477
ITEM NO. 3A

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 23, 2002

REGULAR X **CONSENT** ____ **EFFECTIVE DATE** ____________

DATE: August 2, 2002

TO: John Savage through Marc Hellman and Bryan Conway

FROM: Thomas D. Morgan

SUBJECT: PORTLAND GENERAL ELECTRIC (PGE): (Docket No. UF 4190) Application for Authority to Issue up to $300 Million of First Mortgage Bonds.

STAFF RECOMMENDATION:

I recommend that PGE's application be approved subject to the following conditions:

1. Debt proceeds under this authority will be used only for lawful purposes as permitted in ORS 757.415 including refinancing long term and short term debt.

2. Total financing capacity included in this order shall be coupled with Order 02-292, which authorized $250 Million of First Mortgage Bonds (FMBs) in a private placement, for an aggregate borrowing capacity authorized by this docket (UF 4190) of $350 Million, less any amounts issued under the authority of the order referenced above.

    a. In no case shall the existing authorities provide for issuance of more than $350 Million in debt capacity. If any changes in the Company's capital structure (e.g. common equity account balance) might cause the common equity capitalization ratio to fall below 48 percent with the issuance of any new or refinanced Debt, the Company shall limit its borrowing to remain above the 48 percent limit.
    b. The limit excludes:
        1. The borrowing capacity allowed by Order 02-444 (UF 4182), providing up to $100 Million from Enron Corp.

APPENDIX A

ORDER NO. 02-477

2. The FMBs, that have been pledged as backing (collateral) for the Company's revolving line of credit.

c. The remaining $100 Million of $250 Million borrowing capacity authorized under Order 01-1048 (UF 4179) is terminated.

d. No other outstanding orders from the Commission provide authority for the issuance of debt securities.

3. The Company will demonstrate that the rate(s) it achieves on new Debt is consistent with market rates or otherwise demonstrate that the rate(s) it achieves is competitive. The demonstrations should be filed as soon as possible after each issuance and sale.

4. The interest rate spreads should be limited as provided in the attachment included with this Memo.

5. PGE should demonstrate that any early refunding, call provisions or sinking fund requirement placed on the issuance is cost-effective. The demonstration may compare the all-in costs for debt securities of similar maturities with and without such provisions.

6. The Company should file the usual Report of Securities Issued and Disposition of Net Proceeds promptly after each sale.

   a. Such reporting should include the common equity capitalization ratio as of the date of issuance, along with supporting documentation, i.e., a balance sheet capitalization statement.

   b. On a quarterly basis, the Company shall provide a statement indicating the aggregate total issuances under all authority specified in Condition 2 along with remaining capacity under each authorization. This quarterly report will also include the equity capitalization ratio details included in (a) above.

7. The authorization should remain in effect as long as the Company maintains senior secured debt ratings of at least BBB-/Baa3 (i.e., "investment-grade") from Standard & Poor's and Moody's Investors' Service, Inc., respectively. Any remaining capacity to issue debt under this authority is rescinded upon downgrading below those levels.

8. For ratemaking purposes, the Commission will reserve judgment on the reasonableness of the Company's capital costs, capital structure and the commissions and expenses incurred for security issuances. In its next rate proceeding, the Company will be required to show that its capital costs and structure are just and reasonable.

DISCUSSION:

On June 26, 2002, PGE filed an application, under ORS 757.410 and ORS 757.415, to seek authority to issue up to $300 Million in First Mortgage Bonds including Medium Term Notes (FMBs, Bonds or Debt) for uses consistent with ORS 757.415 (1) [Sections a through e].[2]

PGE seeks authority to issue Debt either privately or publicly at either fixed or floating interest rates[3]. The Company discusses its need for total issuances having a total face value of no more than $350 Million.

On July 11, 2002, PUC Staff met with representatives of the Company to discuss its currently established 2002 Financing Plan. Staff sought details regarding the capital-spending plan through 2003. According to the Company's representations, authority granted under this docket would be available for appropriate uses. The company plans over $350 million of capital expenditures through 2003.

A review of the financing plan provided by the Company indicates that the Company should have sufficient liquidity through 2003, once the available capacity has been placed.

PGE requested authorization for $250 Million in privately placed FMBs in Docket UF 4187. Order 02-292 was issued to provide the requested authority. To date, the Company has not been able to issue under that Order. The current application is designed to offer more flexible terms while not discounting the potential for finalizing the prior transaction.

On June 4, 1997, the Commission entered Order UM 814 requiring PGE to maintain a common equity portion of its capital structure at 48 percent or higher unless the Commission approves a different level. Assuming the issuance of long-term debt anticipated by the Company, Staff believes that PGE will approach the 48 percent equity capitalization limit.

More specifically, assuming the full issuance of the $350 million granted by the approval of this application, coupled with the anticipated non-cash dividend payment or equity transfer/write-off for an account balance due to PGE from PGH II, the equity capitalization ratio will be roughly 51 percent,

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2 Purposes allowed by law include the acquisition of utility property, the construction, extension or improvement of utility facilities, the improvement or maintenance of service, the discharge or lawful refunding of obligations that were incurred for utility purposes (such as higher cost debt or preferred stock) or the reimbursement of the Company's treasury for funds used for the foregoing purposes, as permitted under ORS 757.415(1).

3 An attachment is provided that includes tables that illustrate the interest rate spreads.

providing roughly $175 Million of additional borrowing capacity, assuming there are no additional write-offs or write-downs or losses that would affect PGE's equity balances.

The Company indicates that the fees for underwriters, banks or agents are expected to be usual and customary and not greater than one percent of the aggregate principal amount of the Bonds, which equates to no more than $3,000,000.

Other fees are expected to total less than $400,000. The terms, specific banks, agents or underwriters would be selected at the time of issuance. The Company identifies ABN AMRO Incorporated as a potential underwriter/agent; has engaged it and is undertaking due diligence.

The rates and issuance expenses are within a reasonable range. The interest rate spreads generally appear to be somewhat high, though given the financial pressures that the Company has faced since the Enron bankruptcy filing, such would be anticipated and are in line with recent Commission financing decisions.

The currently anticipated financing is for FMB's with a term of 10 years, and a sinking fund provision[4] that would make the average term roughly seven years. Future issuances may not include a sinking fund provision.

PROPOSED COMMISSION MOTION:

PGE's amended application, UF 4179, be approved subject to Staff's proposed conditions and reporting requirements.

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[4] A sinking fund provision requires the issuer to redeem or set aside funds for a portion of the debt issued based on a mandatory schedule, prior to the final maturity, usually at par value. The provisions of the sinking fund enhance the safety of the investment and are reflected in a lower face interest rate.

Attachment - Interest Rate on Bonds (Secured Obligations)

Floating Rate Bonds

The proposed maximum Spread over LIBOR is listed below:

Greater Than or Equal To	Less Than	Maximum Spread Over Benchmark LIBOR Yield[5]
3 years	4 years	+ 425 basis points[6]
5 years	6 years	+ 450 basis points
7 years	9 years	+ 475 basis points
10 years	11 years	+ 500 basis points

Fixed Rate Bonds

The interest rate on the Bonds will be determined at the time it is issued. The proposed maximum Spread over applicable treasury for various maturities is listed below. The Bonds may have a feature that allows it to be redeemed prior to maturity at specified prices.

Greater Than or Equal To	Less Than	Maximum Spread Over Benchmark Treasury Yield[7]
3 years	4 years	+ 425 basis points
5 years	6 years	+ 450 basis points
7 years	9 years	+ 475 basis points
10 years	11 years	+ 500 basis points

[5] LIBOR is the acronym for London Interbank Offered Rate and is the interest rate offered among a specific group of London banks for Eurodollar deposits of a stated maturity. LIBOR is used as a base index for setting rates of some adjustable rate financial instruments.

[6] Basis point is defined as one-hundredth of a percentage point; i.e. 100 points is 1 percent.

[7] The Benchmark Treasury Yield, with respect to any MTN maturity range, means the yield to maturity of that issue of direct obligations of the United States which, out of all actively traded issues of such obligations with a remaining term to maturity within such MTN maturity range, is generally considered by dealers in such obligations to be the standard for such obligations whether Federal, state or corporate, with approximately the same remaining terms to maturity. With respect to the issuance of any MTN, the Benchmark Treasury Yield shall be determined as of the time the commitment to purchase such MTN is received by the Company and the Agents.

ORDER NO. 03-317

ENTERED MAY 21 2003

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4197

In the Matter of	)	
	)	
PORTLAND GENERAL ELECTRIC COMPANY	)	ORDER
	)	
Application requesting authority to issue up to $200 million of its First Mortgage Bonds.	)	

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS AND REPORTING REQUIREMENTS

On May 29, 2002, Portland General Electric Company (PGE) filed an application with the Public Utility Commission of Oregon (Commission) to approve the creation of a secured obligation under two Revolving Lines of Credit. The Commission approved the application (Order 02-384) and First Mortgage Bonds (FMBs) were issued under PGE's existing Mortgage and Deed of Trust and issued as such collateral.

On April 22, 2003, PGE filed a similar application with the Commission for approval to place FMBs as security underlying a new Revolving Line of Credit (LOC). The current application seeks to replace the authority previously granted and will reduce the collateral already in place from $222 million to the requested $200 million. Upon entering into the new LOC and issuing the new FMBs, the two current LOCs and the FMBS securing them would be canceled. The basis for the current request is detailed in Staff's recommendation memo, attached as Appendix A.

Based on a review of the application and the Commission's records, the Commission finds that this application satisfies applicable statutes and administrative rules. At its public meeting on May 13, 2003, the Commission adopted Staff's recommendation and approved PGE's current request.

ORDER

IT IS ORDERED that the application of Portland General Electric Company for approval to secure its 364-day Revolving Line of Credit with up to $200 million of First Mortgage Bonds is granted, subject to the following conditions and reporting requirements:

1. The authorization to issue Bonds shall remain in effect as long as Portland General Electric maintains senior secured debt ratings of at least BBB-/Baa3 (i.e., "investment grade") from Standard & Poor's and Moody's Investors Service, Inc., respectively. Any outstanding Bonds issued under this authority will remain in effect until expiration of the underlying credit facility as described in this Memo even if the senior secured debt ratings are reduced below investment grade after their issuance.

2. Portland General Electric shall file the usual Report of Securities Issued and Disposition of Net Proceeds statements as soon as possible after any issuance.

3. When determining the equity capitalization ratio in conjunction with any dividend payments to Enron or any successor, Portland General Electric shall include the First Mortgage Bonds that have been pledged as security for any Revolving Lines of Credit in the calculation of the ratio pursuant to Condition 6 of the merger stipulation (UM 814).

4. Portland General Electric shall redeem and remove the underlying First Mortgage Bonds at its earliest opportunity and ability; when cost effective to do so; and shall provide the Commission such information immediately upon its occurrence.

5. For ratemaking purposes, the Commission will reserve judgment on the reasonableness of Portland General Electric's capital costs, capital structure and the commissions and expenses incurred for security

issuances. In the next rate proceeding, Portland General Electric will be required to show that its capital costs, including imbedded expenses, and structure are just and reasonable.

Made, entered and effective ________________________________.

BY THE COMMISSION:

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Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

ORDER NO. 03-317

ITEM NO. 1

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 13, 2003

REGULAR _X_ **CONSENT** ____ **EFFECTIVE DATE** ____________________

DATE: May 22, 2003

TO: John Savage through Marc Hellman and Bryan Conway

FROM: Thomas D. Morgan

SUBJECT: PORTLAND GENERAL ELECTRIC: (UF 4197) Application for Authority to Issue First Mortgage Bonds to Secure a Revolving Line of Credit.

STAFF RECOMMENDATION:

The Commission should approve Portland General Electric's (PGE or Company) application to secure its 364-day Revolving Line of Credit (LOC or Revolver) with up to $200 million of First Mortgage Bonds (FMBs or Bonds) subject to the conditions and reporting requirements discussed below:

1. The authorization to issue Bonds shall remain in effect as long as the Company maintains senior secured debt ratings of at least BBB-/Baa3 (i.e., "investment grade") from Standard & Poor's and Moody's Investors Service, Inc., respectively. Any outstanding Bonds issued under this authority will remain in effect until expiration of the underlying credit facility as described in this Memo even if the senior secured debt ratings are reduced below investment grade after their issuance.

2. PGE shall file the usual Report of Securities Issued and Disposition of Net Proceeds statements as soon as possible after any issuance.

3. When determining the equity capitalization ratio in conjunction with any dividend payments to Enron or any successor, PGE shall include the FMBs that have been pledged as security for any Revolvers in the calculation of the ratio pursuant to Condition 6 of the merger stipulation (UM 814).

4. PGE shall redeem and remove the underlying FMBs at its earliest opportunity and ability; when cost effective to do so; and shall provide the Commission such information immediately upon its occurrence.

DISCUSSION:

On May 29, 2002, PGE filed an application with the Commission to approve the creation of a secured obligation under two Revolvers. The Commission approved the application (Order 02-384) and FMBs were issued under the Company's existing Mortgage and Deed of Trust and issued as such collateral.

The authority provided pursuant to that order allowed the Company to issue additional securities with the rights consistent with senior secured long-term debt. In the event of default, the banks providing the Revolver credit facility would be afforded rights equivalent to secured creditors of the Company.

On April 21, 2003, PGE filed with the Commission to approve a similar application to place First Mortgage Bonds as security underlying a new LOC. The current application seeks to replace the authority previously granted and will reduce the collateral already in place from $222 million to the requested $200 million. Upon entering into the new LOC and issuing the new FMBs, the two current LOCs, and the FMBs securing them, would be canceled.

PGE represents that the requirement for the FMBs as security for the Revolver is due in large part to economic pressures that face the Company resulting from Enron's bankruptcy filing. It is not clear when the pressures will be reduced and when the Company can cost-effectively remove the underlying security offered by the FMBs from the LOC. Rather than requiring annual renewals for the security, I recommend an additional condition (Condition 1) that would provide on-going authority as long as the Company and the capital markets require the additional security. Annual renewals would not meaningfully add to the regulatory oversight by the Commission.

The interest rates on the Bonds will be adjusted, as necessary, to equal the interest rate under the Credit Agreement for the Revolver, which may range from 75 basis points[1] to 350 basis points over LIBOR[2]. Based on its current credit rating, the anticipated total spread is 150 basis points, based on the margin over LIBOR and the commitment fee.

The expenses for issuance, underwriting and insurance total roughly $75,000, based on the application provided. Such costs appear reasonable.

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[1] A basis point is one-hundredth (1/100) of a percentage point, i.e., 100 basis points is 1.00 percent.

1. [2] LIBOR is the acronym for London Interbank Offered Rate and is the interest rate offered among a specific group of London banks for Eurodollar deposits of a stated maturity. LIBOR is used as a base index for setting rates of some adjustable rate financial instruments.

Additionally, on June 4, 1997, the Commission entered Order UM 814 requiring PGE to maintain a common equity portion of its permanent capital structure at 48 percent or higher unless the Commission approves a different level. Further, Condition 6 of the Stipulation in UM 814 requires that "PGE shall not make any distribution to Enron that would cause PGE's equity capital to fall below 48 percent of the total PGE capital without Commission approval. The Commission Staff, PGE and Enron may re-examine this minimum common equity percentage as financial conditions change, and may request that it be adjusted."

Staff believes that the calculation of the equity capitalization ratio should include any amount explicitly pledged to support the Revolver when PGE considers any dividends available for distribution to its shareholder(s), regardless of any outstanding balance on the Revolver. Staff does not normally include such outstanding balances when determining the equity capitalization ratio because of their short-term, non-permanent nature. However, if the revolving short-term loan is backed up by long-term FMBs, the total Revolver capacity, not the outstanding balance, should be included in the calculation of the 48 percent equity ratio. This is because if the Company defaults on the short-term unsecured revolver, then the lending syndicate or bank owns FMBs that are secured by the underlying assets of the Company.

While a secured credit facility provided in this docket is authorized or in effect, the Company should limit any such dividend payments on common equity pursuant to this parameter. Staff's recommended Condition 3 specifically addresses this issue.

The Company represents that the underlying security provided by the FMBs for the Revolver(s) would provide the Company with needed liquidity. The approval of this application with the proposed conditions should provide PGE access to working capital.

Based on Staff's review, approval of PGE's application is recommended. Commission approval will provide continued access to the capital markets and is in the public interest.

PROPOSED COMMISSION MOTION:

Portland General Electric's application to secure its Line of Credit with First Mortgage Bonds is approved, subject to Staff's conditions.

UF 4197 – PGE Authority for FMBs to Secure Line of Credit

APPENDIX A
PAGE 3 OF 3

FitchRatings

Corporate Finance

Global Power/North America
Credit Update

Portland General Electric Company

Ratings

Security Class	Current Rating	Previous Rating	Date Changed
FMBs/MTNs	BB+	BBB	8/1/02
Sr. Unsec.	BB–	BBB–	8/1/02
Preferred Stock	B	BB	8/1/02
Commercial Paper*	NR	F3	8/1/02

*Rating withdrawn.

Rating Watch.......................................Negative
Rating Outlook.......................................None

Analysts
Philip W. Smyth, CFA
1 212 908-0531
philip.smyth@fitchratings.com

Ralph G. Pellecchia
1 212 908-0586
ralph.pellecchia@fitchratings.com

Profile
PGE, a wholly owned subsidiary of Enron, is an integrated electric utility serving roughly 736,000 customers in Oregon and providing wholesale energy in the Western United States.

Related Research
- Press Release; Aug. 1, 2002.
- Credit Update; June 11, 2002.
- Press Release; May 22, 2002.

Key Credit Strengths
- Strong stand-alone fundamentals and financial position.
- Constructive regulatory environment.
- Adequate secured borrowing capacity.

Key Credit Concerns
- Uncertainty associated with Enron's bankruptcy.
- Constrained access to capital.
- Exposure to Enron control group liabilities.
- Investigations regarding western power markets.

■ Rating Rationale
Portland General Electric Company's (PGE) recent ratings downgrades and Negative Rating Watch status primarily reflects PGE's reduced financial flexibility as a result of concerns related to the insolvency of its corporate parent, Enron Corp. (Enron), and difficult financial markets. Although management's efforts to access capital markets continue, its efforts have yet to bear fruit in 2002, raising the possibility of a liquidity shortfall developing in December 2002 when $150 million of first mortgage debt matures. The Negative Rating Watch also reflects the possibility of pressure to provide collateral to contract counterparties. PGE's ratings also recognize the company's healthy ongoing operations, profitability, moderate debt leverage, a constructive regulatory environment and ring-fencing provisions that insulate the company from consolidation in the Enron bankruptcy. The ratings, nonetheless, also consider risk associated with PGE's ongoing exposure to the Enron bankruptcy, which is underscored by the termination of the proposed sale of PGE to Northwest Natural Gas Co., and by the fact that certain matters requiring shareholder ratification must be approved by Enron management, its creditors' committee and bankruptcy court. The ratings consider a variety of Enron-related contingent liabilities including the investigations into PGE's possible involvement in trading strategies employed by Enron in western U.S. markets.

Based upon the company's representations, substantive consolidation of PGE in the bankruptcy of Enron seems unlikely due to the separate operation of the utility under its own name, separate officers, maintenance of separate books and records, avoidance of commingling of cash and assets, and practices consistent with Oregon Public Utility Commission conditions in approving the acquisition of PGE by Enron. Since any attempt to consolidate PGE with Enron in bankruptcy is not likely to succeed, there is no apparent advantage to any creditors of Enron or Enron management to force PGE into bankruptcy. Thus, Fitch's ratings of PGE do not anticipate near-term bankruptcy of the utility, but do contemplate continued reduced financial flexibility, access to funding sources and potential exposure as a member of the Enron control group relating to tax and employee benefit liabilities and other contingencies.

■ Recent Developments
Enron has announced a plan to seek bankruptcy court approval to transfer selected assets, including the stock of PGE, into a special-purpose entity insulated from the Enron bankruptcy proceedings pursuant to Section 363 of the Bankruptcy Code. If approved and implemented, this structure (Opco) may serve as a vehicle for the sale of PGE and other viable affiliates to new owners or their continued operation by Enron. The timing and outcome of the transfer of PGE to the proposed Opco structure is not assured. Furthermore, approval by the court of the transfer to Opco would not exempt PGE from its joint liability for certain Enron group liabilities such as taxes,

FitchRatings

Corporate Finance

pension and post-retirement benefit plans or exposure related to the ongoing investigation of western market participants. At present, it is not possible to quantify these contingent liabilities with certainty, and this uncertainty could limit Enron's ability to sell PGE.

Liquidity and Debt Structure

PGE's inability to demonstrate access to capital markets in 2002 is a concern that raises the possibility of a liquidity shortfall developing during December 2002 through August 2003, notwithstanding the company's stable operating cash flow and balance sheet characteristics. At the end of July 2002, PGE had cash and unused short-term borrowing capacity of $100 million. Maturities and debt likely to be put back to the company by the end of August 2003 total $333 million. Of that amount, $150 million of first mortgage bonds mature in December 2002. Another $40 million of first mortgage bonds mature in August 2003, and $142 million of unsecured debt is putable to PGE in May 2003. PGE's debt-to-total capitalization ratio is expected to approximate 50% at year-end 2002, consistent with its 2001 level. Operating cash flow is projected to exceed capital expenditures in 2002 with the latter representing roughly 70% of the former, and the company is unlikely to pay dividends to its corporate parent for the foreseeable future. In June 2002, PGE negotiated a $72 million secured revolving credit facility that replaced a $200 million unsecured 364-day credit facility. At that juncture, PGE provided first mortgage bonds to secure its three-year $150 million revolving credit line, which matures in July 2003.

Financial Summary — Portland General Electric Company

($ Mil., Years Ended Dec. 31)	—LTM Ended— 3/31/02	3/21/01	2001	2000	1999	1998	1997
Fundamental Ratios							
Operating EBIT/Interest Expense (x)	2.5	4.1	2.3	4.0	3.9	3.7	3.9
Operating EBITDA/Interest Expense (x)	4.8	6.4	4.6	6.2	6.0	5.7	6.0
Debt/Operating EBITDA (x)	3.2	1.8	3.3	1.9	2.3	2.2	2.3
Common Dividend Payout (%)	74.1	60.4	173.9	57.4	63.3	37.2	51.6
Internal Cash/Capital Expenditures (%)	(26.1)	158.1	(53.7)	196.5	90.1	147.2	146.7
Capital Expenditures/Depreciation (%)	107.8	116.5	119.4	105.5	117.4	96.6	128.4
Profitability							
Revenues	2,821	2,622	3,047	2,253	1,378	1,176	1,416
Net Revenues	705	785	686	792	724	721	741
O&M Expense	293	254	279	263	234	234	239
Operating EBITDA	344	466	342	464	429	430	446
Depreciation and Amortization Expense	167	170	170	164	155	149	155
Operating EBIT	177	296	172	300	274	281	291
Interest Expense	72	73	75	75	71	75	74
Net Income for Common	27	134	23	141	128	137	126
O&M Expense as % of Net Revenues	41.6	32.4	40.7	33.2	32.3	32.5	32.3
Operating EBIT as % of Net Revenues	25.1	37.7	25.1	37.9	37.8	39.0	39.3
Cash Flow							
Net Operating Cash Flow	(27)	394	(67)	423	247	265	359
Dividends	(20)	(81)	(42)	(83)	(83)	(53)	(67)
Capital Expenditures	(180)	(198)	(203)	(173)	(182)	(144)	(199)
Free Cash Flow	(227)	115	(312)	167	(18)	68	93
Net Other Investment Cash Flow	23	29	10	26	(3)	(4)	(9)
Net Change in Debt	245	(134)	250	(133)	48	(66)	(107)
Net Change in Equity	—	—	—	—	—	—	—
Capital Structure							
Short-Term Debt	328	68	347	68	298	207	171
Long-Term Debt	766	781	769	798	701	744	837
Total Debt	1,094	849	1,116	866	999	951	1,008
Preferred and Minority Equity	30	30	30	30	30	30	30
Common Equity	1,125	1,152	1,090	1,099	1,041	996	910
Total Capital	2,249	2,031	2,236	1,995	2,070	1,977	1,948
Total Debt/Total Capital (%)	48.6	41.8	49.9	43.4	48.3	48.1	51.7
Preferred and Minority Equity/Total Capital (%)	1.3	1.5	1.3	1.5	1.4	1.5	1.5
Common Equity/Total Capital (%)	50.0	56.7	48.7	55.1	50.3	50.4	46.7

LTM – Latest 12 months. Operating EBIT – Operating income plus total reported state and federal income tax expense. Operating EBITDA – Operating income plus total reported state and federal income tax expense plus depreciation and amortization expense. O&M – Operations and maintenance. Note: Numbers may not add due to rounding. Source: Financial data obtained from Navigant Knowledge System, provided under license by Navigant Consulting, Inc. of Springfield, Ill.

NW Natural

Rates & Regulatory Affairs

Company Response to UG 152 Staff Requests

January 16, 2003

A141. Please provide the cost of debt spreadsheet at provided for Data Request A57 with currently available information.

Response:

Data Request A57 was a request to provide estimated interest rates assuming NWN could replace all of its existing debt at current rates. We are in the process of updating this information with a measurement date of Dec. 31, 2002, and based upon the information we have gathered so far we estimate that the current overall market yield if NWN were able to reissue all of its existing debt at current rates would be 5.5227%. This is only a hypothetical result since most of NW Natural's debt is non-callable. See attached worksheets, both marked "PRELIMINARY," which shows the calculation of current market interest rates and fair market value of long-term debt.

Respondent: Stephen P. Feltz, Treasurer & Controller

NW Natural

Market Indications of Spread Levels
Projected for January 2003

Spread Indications	5-year Low	5-year High	10-year Low	10-year High	30-year Low	30-year High
US Bank/Piper Jaffray	70	80	85	95	100	115
UBS Warburg	75	95	85	105	95	115
Merrill Lynch	75	85	90	100	105	115
Banc One Capital Markets	75	85	90	100	105	120
Low	**70**		**85**		**95**	
High		**95**		**105**		**120**
Average	73.75	86.25	87.5	100	101.25	116.25
Median	75	85	87.5	100	102.5	115

Other Comments and Assumptions

1. Assumes issuance of NW Natural 1st Mortgage Bonds

1. Current U.S. Treasury Rates:

	Treasury Rate	*Proj. NWN Coupon Rate Range Low*	*High*
5-year =	**3.18%**	*3.88%*	*4.13%*
10-year =	**4.13%**	*4.98%*	*5.18%*
30-year =	**4.99%**	*5.94%*	*6.19%*

2. Market conditions are still very strong, particularly for 1st Mortgage Bond issuances. We instructed our MTN agents to provide us with their best estimate of spread levels, assuming continuation of current market conditions. Spreads at the low end of the range reflect fairly aggressive pricing based on current market conditions, which are not expected to change materially between now and the end of Jan-03. However, we were advised that events such as unexpectedly strong economic reports or an outbreak of war in the Middle East could have a dramatic impact on market rates and spread levels.

Dated: Dec. 5, 2002

Moody's Investors Service

Global Credit Research
Rating Action
15 NOV 2001

Rating Action: PacifiCorp

MOODY'S LOWERS THE DEBT RATINGS OF PACIFICORP (SR. SECURED DEBT TO A3 FROM A2) AND REMOVES THE RATINGS FROM REVIEW FOR FURTHER DOWNGRADE.

Rating Outlook Remains Negative.

New York, November 15, 2001 – Moody's Investors Service today lowered the ratings on debt securities of PacifiCorp (senior secured debt to A3 from A2) and removed the securities from review for further downgrade, where they were placed on May 18, 2001. The rating outlook for PacifiCorp's long-term debt securities is negative.

The rating action reflects the weaker financial condition at PacifiCorp caused, in large part, by above market purchase power costs incurred by PacifiCorp which surfaced from a very volatile wholesale power market in the west. Adding to the weaker financial condition has been the costs incurred earlier in the year for the Hunter plant outage and the ongoing challenges for PacifiCorp in securing timely regulatory support for cash recovery of these items. While Moody's believes that the state regulators will reasonably support PacifiCorp in its numerous deferred rate and general rate case filings, the rating action today also acknowledges the expected impact to future cash flows and debt proctection measures due, in part, to the timeframe associated with final resolution of these filings.

Moody's action considers the continuing efforts by management to refocus the company on its core utility business through improved operations and notes a number of initiatives implemented by the company that will improve the supply position for the company and for the region. These initiatives include the May 2001 restart of its 430-MW Hunter plant in Utah, which had been idle since November 2000, the completion of a 484-MW natural-gas fired cogeneration facility at Klamath Falls, Oregon, of which a portion of the output is contracted to PacifiCorp Power Marketing, and the development of additional natural gas and renewable generating resources, which should come on-line over the next few years.

While the successful completion of these efforts will reduce PacifiCorp's future reliance on the wholesale power markets, state regulatory support for recovery of past and future wholesale power costs remains critical to PacifiCorp's rating. This is particularly true in Oregon and Utah, as PacifiCorp derives about 33% and 38% of its revenues from these two jurisdictions, respectively. In light of the numerous cases before state commissions concerning this issue, the uncertainty surrounding the timing and actual outcome of each regulatory proceeding, and the importance of a reasonable outcome to the rating, Moody's is maintaining a negative outlook on the ratings of PacifiCorp's long-term securities.

Ratings lowered and removed from review for possible downgrade include:

- PacifiCorp's senior secured debt and secured pollution control bonds to A3 from A2;
- PacifiCorp's senior unsecured debt and issuer rating, both to Baa1 from A3;
- PacifiCorp Capital I & II trust preferreds to Baa2 from Baa1;
- PacifiCorp's preferred stock to Baa3 from Baa2;
- Global shelf registration for secured, unsecured, trust preferred and preferred securities to (P)A3, (P)Baa1, (P)Baa2, and (P)Baa3, respectively.
- PacifiCorp's short-term ratings for commercial paper and variable rate demand bonds are also lowered to Prime-2 from Prime-1 and to VMIG-2 from VMIG-1, respectively.

In conjunction with this rating action, Moody's has assigned an A3 senior secured rating to PacifiCorp's planned issuance of First Mortgage Bonds. Proceeds from the financing will be used for working capital, including the repayment of short-term debt and intercompany debt incurred during the past year to finance power procurement related expenditures.

PacifiCorp is a vertically integrated utility headquartered in Portland, Oregon. PacifiCorp is 100% owned by Scottish Power plc, a diversified energy company whose issuer rating is Baa1.

New York
Susan D. Abbott
Managing Director
Corporate Finance
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
A.J. Sabatelle
VP - Sr. Credit Officer
Corporate Finance
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

CASE: UE 180/UE 181/UE 184
WITNESS: Bryan Conway

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 1202

Exhibits in Support
Of Direct Testimony

CONFIDENTIAL VERSION

August 25, 2006

STAFF EXHIBIT 1202

IS CONFIDENTIAL AND SUBJECT TO PROTECTIVE ORDER NO. 06-111. YOU MUST HAVE SIGNED APPENDIX B OF THE PROTECTIVE ORDER IN DOCKET UE-180 TO RECEIVE THE CONFIDENTIAL VERSION OF THIS EXHIBIT.

CERTIFICATE OF SERVICE

UE 180/UE 181/UE 184

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-13-0070, to the following parties or attorneys of parties.

Dated at Salem, Oregon, this 25th day of August, 2006.

Stephanie S. Andrus
Assistant Attorney General
Of Attorneys for Public Utility Commission's Staff
1162 Court Street NE
Salem, Oregon 97301-4096
Telephone: (503) 378-6322

UE 180
Service List (Parties)

JIM DEASON **(Q)** ATTORNEY AT LAW	521 SW CLAY ST STE 107 PORTLAND OR 97201-5407 jimdeason@comcast.net
ROBERT VALDEZ	PO BOX 2148 SALEM OR 97308-2148 bob.valdez@state.or.us
AF LEGAL & CONSULTING SERVICES	
ANN L FISHER **(Q)** ATTORNEY AT LAW	2005 SW 71ST AVE PORTLAND OR 97225-3705 energlaw@aol.com
BOEHM KURTZ & LOWRY	
KURT J BOEHM **(Q)** ATTORNEY	36 E SEVENTH ST - STE 1510 CINCINNATI OH 45202 kboehm@bkllawfirm.com
MICHAEL L KURTZ **(Q)**	36 E 7TH ST STE 1510 CINCINNATI OH 45202-4454 mkurtz@bkllawfirm.com
BONNEVILLE POWER ADMINISTRATION	
GEOFFREY M KRONICK LC7 **(Q)**	PO BOX 3621 PORTLAND OR 97208-3621 gmkronick@bpa.gov
CRAIG SMITH	PO BOX 3621--L7 PORTLAND OR 97208-3621 cmsmith@bpa.gov
BRUBAKER & ASSOCIATES INC	
JAMES T SELECKY **(Q)**	1215 FERN RIDGE PKWY - STE 208 ST. LOUIS MO 63141 jtselecky@consultbai.com
CABLE HUSTON BENEDICT HAAGENSEN & LLOYD LLP	
TAMARA FAUCETTE	1001 SW 5TH AVE STE 2000 PORTLAND OR 97204 tfaucette@chbh.com

CHAD M STOKES	1001 SW 5TH - STE 2000 PORTLAND OR 97204 cstokes@chbh.com
CITIZENS' UTILITY BOARD OF OREGON	
LOWREY R BROWN **(Q)** UTILITY ANALYST	610 SW BROADWAY - STE 308 PORTLAND OR 97205 lowrey@oregoncub.org
JASON EISDORFER **(Q)** ENERGY PROGRAM DIRECTOR	610 SW BROADWAY STE 308 PORTLAND OR 97205 jason@oregoncub.org
COMMUNITY ACTION DIRECTORS OF OREGON	
JIM ABRAHAMSON **(Q)** COORDINATOR	PO BOX 7964 SALEM OR 97303-0208 jim@cado-oregon.org
CONSTELLATION NEWENERGY INC	
WILLIAM H CHEN REGULATORY CONTACT	2175 N CALIFORNIA BLVD STE 300 WALNUT CREEK CA 94596 bill.chen@constellation.com
DANIEL W MEEK ATTORNEY AT LAW	
DANIEL W MEEK **(Q)** ATTORNEY AT LAW	10949 SW 4TH AVE PORTLAND OR 97219 dan@meek.net
DAVISON VAN CLEVE PC	
S BRADLEY VAN CLEVE **(Q)**	333 SW TAYLOR - STE 400 PORTLAND OR 97204 mail@dvclaw.com
DEPARTMENT OF JUSTICE	
STEPHANIE S ANDRUS **(Q)** ASSISTANT ATTORNEY GENERAL	REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 stephanie.andrus@state.or.us

EPCOR MERCHANT & CAPITAL (US) INC LORNE WHITTLES MGR - PNW MARKETING	 1161 W RIVER ST STE 250 BOISE ID 83702 lwhittles@epcor.ca
GRESHAM CITY ATTORNEY'S OFFICE DAVID R RIS SR. ASST. CITY ATTORNEY	 CITY OF GRESHAM 1333 NW EASTMAN PARKWAY GRESHAM OR 97030 david.ris@ci.gresham.or.us
GRESHAM CITY OF JOHN HARRIS **(Q)** TRANSPORTATION OPERATIONS SUPERINTENDENT	 1333 NW EASTMAN PKWY GRESHAM OR 97030 john.harris@ci.gresham.or.us
KAFOURY & MCDOUGAL LINDA K WILLIAMS **(Q)** ATTORNEY AT LAW	 10266 SW LANCASTER RD PORTLAND OR 97219-6305 linda@lindawilliams.net
LEAGUE OF OREGON CITIES ANDREA FOGUE **(Q)** SENIOR STAFF ASSOCIATE	 PO BOX 928 1201 COURT ST NE STE 200 SALEM OR 97308 afogue@orcities.org
MCDOWELL & ASSOCIATES PC KATHERINE A MCDOWELL ATTORNEY	 520 SW SIXTH AVE - SUITE 830 PORTLAND OR 97204 katherine@mcd-law.com
NORTHWEST ECONOMIC RESEARCH INC LON L PETERS **(Q)**	 607 SE MANCHESTER PLACE PORTLAND OR 97202 lpeters@pacifier.com
NORTHWEST NATURAL ELISA M LARSON **(Q)** ASSOCIATE COUNSEL	 220 NW 2ND AVE PORTLAND OR 97209 elisa.larson@nwnatural.com

NORTHWEST NATURAL GAS COMPANY	
ALEX MILLER **(Q)** DIRECTOR - REGULATORY AFFAIRS	220 NW SECOND AVE PORTLAND OR 97209-3991 alex.miller@nwnatural.com
OREGON ENERGY COORDINATORS ASSOCIATION	
KARL HANS TANNER **(Q)** PRESIDENT	2448 W HARVARD BLVD ROSEBURG OR 97470 karl.tanner@ucancap.org
PACIFICORP	
LAURA BEANE MANAGER - REGULATORY	825 MULTNOMAH STE 2000 PORTLAND OR 97232 laura.beane@pacificorp.com
PORTLAND CITY OF - OFFICE OF CITY ATTORNEY	
BENJAMIN WALTERS **(Q)** DEPUTY CITY ATTORNEY	1221 SW 4TH AVE - RM 430 PORTLAND OR 97204 bwalters@ci.portland.or.us
PORTLAND CITY OF - OFFICE OF TRANSPORTATION	
RICHARD GRAY STRATEGIC PROJECTS MGR/SMIF ADMINISTRATOR	1120 SW 5TH AVE RM 800 PORTLAND OR 97204 richard.gray@pdxtrans.org
PORTLAND CITY OF ENERGY OFFICE	
DAVID TOOZE SENIOR ENERGY SPECIALIST	721 NW 9TH AVE -- SUITE 350 PORTLAND OR 97209-3447 dtooze@ci.portland.or.us
PORTLAND GENERAL ELECTRIC	
RATES & REGULATORY AFFAIRS	RATES & REGULATORY AFFAIRS 121 SW SALMON ST 1WTC0702 PORTLAND OR 97204 pge.opuc.filings@pgn.com
DOUGLAS C TINGEY **(Q)**	121 SW SALMON 1WTC13 PORTLAND OR 97204 doug.tingey@pgn.com

PRESTON GATES ELLIS LLP HARVARD P SPIGAL	 222 SW COLUMBIA ST STE 1400 PORTLAND OR 97201-6632 hspigal@prestongates.com
SEMPRA GLOBAL THEODORE E ROBERTS	 101 ASH ST HQ 13D SAN DIEGO CA 92101-3017 troberts@sempra.com
LINDA WRAZEN	101 ASH ST HQ8C SAN DIEGO CA 92101-3017 lwrazen@sempraglobal.com
SMIGEL ANDERSON & SACKS SCOTT H DEBROFF	 RIVER CHASE OFFICE CENTER 4431 NORTH FRONT ST HARRISBURG PA 17110 sdebroff@sasllp.com

UE 181
Service List (Parties)

CITIZENS' UTILITY BOARD OF OREGON	
JASON EISDORFER ENERGY PROGRAM DIRECTOR	610 SW BROADWAY STE 308 PORTLAND OR 97205 jason@oregoncub.org
PORTLAND CITY OF - OFFICE OF CITY ATTORNEY	
BENJAMIN WALTERS DEPUTY CITY ATTORNEY	1221 SW 4TH AVE - RM 430 PORTLAND OR 97204 bwalters@ci.portland.or.us
PORTLAND CITY OF - OFFICE OF TRANSPORTATION	
RICHARD GRAY STRATEGIC PROJECTS MGR/SMIF ADMINISTRATOR	1120 SW 5TH AVE RM 800 PORTLAND OR 97204 richard.gray@pdxtrans.org
PORTLAND CITY OF ENERGY OFFICE	
DAVID TOOZE SENIOR ENERGY SPECIALIST	721 NW 9TH AVE -- SUITE 350 PORTLAND OR 97209-3447 dtooze@ci.portland.or.us
PORTLAND GENERAL ELECTRIC	
DOUGLAS C TINGEY **(Q)** ASST GENERAL COUNSEL	121 SW SALMON 1WTC13 PORTLAND OR 97204 doug.tingey@pgn.com

UE 184
Service List (Parties)

PORTLAND GENERAL ELECTRIC	
RATES & REGULATORY AFFAIRS	RATES & REGULATORY AFFAIRS 121 SW SALMON ST 1WTC0702 PORTLAND OR 97204 pge.opuc.filings@pgn.com
DOUGLAS C TINGEY	121 SW SALMON 1WTC13 PORTLAND OR 97204 doug.tingey@pgn.com