



Portland General Electric Company  
121 SW Salmon Street • Portland, Oregon 97204

May 17, 2005

**via E-Filing and US Mail**

Public Utility Commission of Oregon  
550 Capitol St., NE, No. 215  
P.O. Box 2148  
Salem, OR 97308-2148

Attention: **Commission Filing Center:**

Re: **UP-\_\_\_\_\_** Application for Approval to Lease Property  
to Siltronic Corporation

Enclosed is the original signed Application for approval to lease property to Siltronic Corporation. PGE provided an E-filed copy this date. PGE will provide a hard copy of the OPUC E-tracking ID (if available) with this filing.

We ask that this Application be placed on the docket for consideration at the Commission's June 28, 2005 meeting, or as soon thereafter as possible.

The application attachments in electronic form should not be placed on the OPUC Website.

If you have any questions or require further information, please call me at (503) 464-7580 or Jay Tinker at (503) 464-7002. Please direct all formal correspondence, questions, or requests to the following e-mail address [pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com).

Sincerely,

**/s/ Doug Kuns**

Doug Kuns  
Manager, Pricing and Tariffs

Encls. (Copy OPUC Tracking confirmation)

JT/llh

BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

UP-\_\_\_

In the Matter of the Application of )  
PORTLAND GENERAL ELECTRIC COMPANY in ) APPLICATION  
Regard to the Lease of Substation property )

Pursuant to ORS 757.480 and OAR 860-027-0025, Portland General Electric Company ("PGE") seeks approval from the Oregon Public Utility Commission ("Commission") for the lease of certain PGE property.

History

PGE currently owns a Substation property exclusively serving the Siltronic Corporation's (f.k.a. Wacker) wafer manufacturing facility located in the City of Portland, County of Multnomah, Oregon (hereinafter "Substation").

PGE asks for Commission approval to lease the Substation for a period of five years to Siltronic. At the end of the five-year term, Siltronic will have the option of extending the lease for another five-year period (See Exhibit I, Substation Operating Lease Agreement, pg. 2). The basis of the lease payments from Siltronic is the annual revenue requirement associated with the Substation. See Exhibit K. The revenue requirement calculations include a return on investment using capital structure and financing cost inputs consistent with PGE's 2002 IRP analysis. The service provided to Siltronic is unique in that the customer has constructed and owns the primary voltage feeders from the Substation to the facilities. Typically, PGE installs and maintains feeders to customers in similar circumstances. The lease payments do not include any costs associated with the feeders.

With the effective date of the lease, Siltronic will move from PGE's primary voltage Schedule 83 to the subtransmission voltage charges under Schedule 83. Given Siltronic's current

energy usage and the differential between demand charges under current Schedule 83 rates, the lease will provide Siltronic with an economic benefit. However, Siltronic bears the risk during the term of the lease of any rate structure changes that might cause the rate differentials between primary delivery voltage and subtransmission delivery voltage rate to vary. (The impact may be positive or negative.) Over the interim period from the effective date of the lease through the effective date of new rates in a general rate case, PGE shareholders will absorb the cost of the economic benefit afforded to Siltronic under current rates. PGE will not seek deferral of the associated costs.

PGE's other customers benefit from this lease for three reasons. First, the fixed costs associated with this dedicated Substation will be paid by the entity to whom the Substation is leased, i.e., Siltronic. In PGE's general rate case, we expect that the fixed costs associated with the Substation will be included in PGE's revenue requirement, as will the lease revenue expected from Siltronic to cover those costs. Second, any risks associated with unexpected or catastrophic damage to the Substation will rest with Siltronic for the term of the lease. Third, routine maintenance of the Substation will be the responsibility of Siltronic, potentially lowering PGE's overall maintenance costs. The five-year lease term is fixed, with no ability on Siltronic's part to terminate early absent PGE's default. Thus, these benefits and costs are set for at least five years.

For accounting purposes (See Exhibit J), PGE will record the lease revenue of approximately \$1.6 million over the five-year lease term in FERC Account 454 (Rent from Electric Property). Since this is a lease, rather than a sale of property, PGE does not believe that the stipulation in UE-115 regarding property sale gains is applicable. As indicated above, other customers will receive the benefit of the lease revenue in PGE's next general rate case, with new rates expected to be effective 1/1/2007. In the interim period, the lease revenues will

help defray the lost retail revenues in FERC Account 442 (Commercial and Industrial Sales) due to Siltronic switching to a sub transmission voltage under Schedule 83.

1) Pursuant to the requirements of OAR 860-027-0025, PGE represents that:

a) PGE's name and address are Portland General Electric Company, One World Trade Center, 121 SW Salmon Street, Portland, Oregon 97204.

b) PGE is a corporation organized and existing under and by the laws of the State of Oregon, and the date of its incorporation is July 25, 1930. PGE is authorized to transact business in the states of Oregon, Washington, California, Arizona and Montana, and in the District of Columbia, but conducts retail utility business only in the State of Oregon. As of February 21, 1995, PGE is also registered as an extra provincial corporation in Alberta, Canada.

c) The names and addresses of the persons authorized to receive notices and communications in respect of this Application:

PGE-OPUC Filings  
Rates & Regulatory Affairs  
Portland General Electric Company  
121 SW Salmon Street, 1WTC0702  
Portland, OR 97204  
(503) 464-7857 (telephone)  
(503) 464-7651 (telecopier)  
[pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com)

The names and addresses to receive notices and communications via the e-mail service list are:

Patrick G. Hager, Manager Regulatory Affairs  
E-Mail: [Patrick.Hager@pgn.com](mailto:Patrick.Hager@pgn.com), and

Jay Tinker, Project Manager  
E-Mail: [Jay.Tinker@pgn.com](mailto:Jay.Tinker@pgn.com)

d) *The names and titles of its principal officers as of March 31, 2005, are as follows:*

<u>NAME</u>	<u>TITLE</u>
Peggy Y. Fowler	Chief Executive Officer & President
James J. Piro	Executive Vice President, Finance, Chief Financial Officer & Treasurer
Arleen Barnett	Vice President, Administration
Carol A. Dillin	Vice President, Public Policy
Stephen R. Hawke	Vice President, Customer Service & Delivery
Ronald W. Johnson	Vice President, Business & Government Customers; Economic Development
Pamela G. Lesh	Vice President, Regulatory Affairs & Strategic Planning
James F. Lobdell	Vice President, Power Operations & Resource Planning
Joe A. McArthur	Vice President, Distribution
Douglas R. Nichols	Vice President, General Counsel & Secretary
Stephen M. Quennoz	Vice President, Nuclear & Power Supply / Generation
Kirk M. Stevens	Controller and Assistant Treasurer
William J. Valach	Assistant Treasurer
Angus H. Davis*	Assistant Secretary
Steven F. McCarrel	Assistant Secretary
J. Mack Shively	Assistant Secretary

\* Houston Officer – Office held by employee of Enron Corp., parent corporation of the Applicant, and considered officers of convenience and not principal officer.

e) PGE is engaged in the generation, purchase, transmission, distribution, and sale of electric energy for public use in Clackamas, Columbia, Hood River, Jefferson, Marion, Morrow, Multnomah, Polk, Washington, and Yamhill counties, Oregon.

f) *The capital stock as of the date of the balance sheet:* March 31, 2005

	Outstanding	
	Shares	Amount (\$000s)
<i>Cumulative Preferred Stock * :</i>		
7.75% Series No Par Value (30,000,000 shares authorized):	204,727	\$20,473
\$1 Par Value Limited voting Jr.	1	-
Total Preferred Stock	204,728	\$20,473
 <i>Common Stock ** :</i>		
\$3.75 Par Value (100,000,000 shares authorized):	42,758,877	\$160,346
	42,758,877	\$160,346

\*As required by SFAS No. 150, PGE's 7.75% Series preferred stock has been reclassified Long-Term Debt, effective July 1, 2003, and the Company began recording the related dividends as interest expense.

\*\*All of the common stock is held by Enron Corp., parent corporation of the Applicant. Applicant has been informed by Enron management that shortly after the filing of Enron's bankruptcy petition, Enron entered into a debtor in possession credit agreement with Citicorp USA, Inc. and JP Morgan Chase Bank. The agreement was amended and restated in July 2002. Company management has been advised by Enron management and its legal advisors that, under the amended and restated agreement and related security agreement, all of which were approved by the Bankruptcy Court, Enron has pledged its stock in a number of subsidiaries, including the Applicant, to secure the repayment of any amounts due under the debtor in possession financing. The pledge will be automatically released upon a sale of the Applicant otherwise permitted under the terms of the credit agreement. Enron also granted the lenders a security interest in the proceeds of any sale of the Applicant. The lenders may not exercise substantially all of their rights to foreclose against the pledged shares of the Applicant's common stock or to exercise control over the Applicant unless and until the lenders have obtained the necessary regulatory approvals for the transfer of the Applicant's common stock to the lenders.

None of the capital stock is held as reacquired securities, pledged, held by affiliated corporations, or held in any sinking or other fund, except as noted above.

g) *The long-term debt as of the date of the balance sheet:* March 31, 2005

<b>Description</b>	<b>Authorized (\$000s)</b>	<b>Outstanding (\$000s)</b>
First Mortgage Bonds:		
MTN Series due August 15, 2005 9.07%	18,000	18,000
MTN Series due June 15, 2007 7.15%	50,000	50,000
MTN Series due August 11, 2021 9.31%	20,000	20,000
8-1/8% Series due February 1, 2010	150,000	150,000
5.6675% Series due October 25, 2012	100,000	100,000
5.279% Series due April 1, 2013	50,000	50,000
5.625% Series due August 1, 2013	50,000	50,000
6.75% Series due August 1, 2023	50,000	50,000
6.875% Series due August 1, 2033	<u>50,000</u>	<u>50,000</u>
Total First Mortgage Bonds	<u>538,000</u>	<u>538,000</u>
Pollution Control Bonds:		
City of Forsythe, Montana		
5.45% Series due May 1, 2033	21,000	21,000
5.20% Series due May 1, 2033	97,800	97,800
Port of Morrow		
5.20 % Series May 1, 2033	23,600	23,600
Port of St. Helens, Oregon		
4.80% Series due April 1, 2010	20,200	20,200
4.80% Series due June 1, 2010	16,700	16,700
5.25% Series due August 1, 2014	9,600	9,600
7.125% Series due December 15, 2014	5,100	5,100
Total Pollution Control Bonds	<u>194,000</u>	<u>194,000</u>
Other Long-Term Debt:		
8.25% Quids Series A	75,000	0
6.91% Conservation Bonds	75,000	16,757
7-7/8% Notes due March 15, 2010	150,000	149,250
Other Long-Term Obligation		
Unamortized Debt Discount and Other	<u>(1,500)</u>	<u>(1,353)</u>
Total Other Long-Term Debt	<u>298,500</u>	<u>164,654</u>
Less Maturities and Sinking Funds		
Included in Current Liabilities	<u>54,847</u>	<u>28,369</u>
Total Long-Term Debt	<u>975,653</u>	<u>868,285</u>

None of the long-term debt is pledged or held as reacquired securities, by affiliated corporations, or in any fund, except as noted above.

h) *Whether the application is for disposition of facilities by sale, lease, or otherwise, a merger or consolidation of facilities, or for mortgaging or encumbering its property, or for the acquisition of stock, bonds, or property of another utility, also a description of the consideration, if any, and the method of arriving at the amount thereof:* This application requests approval for PGE to lease a dedicated Substation to Siltronic (f.k.a. Wacker) for a period of five years, with a potential second five-year term at Siltronic's option. The basis of the lease payments from Siltronic is the revenue requirement associated with the capital costs of the Substation, including a return on investment<sup>1</sup>. Exhibit K provides the calculation of the revenue requirement for the Substation. The book value of the Substation was estimated using PGE's accounting records.

i) *A statement and general description of facilities to be disposed of, consolidated, merged, or acquired from another utility, giving a description of their present use and of their proposed use after disposition, consolidation, merger, or acquisition:* The subject Substation is a dedicated Substation serving Siltronic's wafer manufacturing facility in Portland, Oregon. A description of the Substation is provided in Exhibit I, Substation Operating Lease Agreement. This transaction includes most, but not all the operating facilities of PGE. The Substation will continue to be used in its current function during the term of the lease as well as after the lease terminates.

j) *A statement by primary account of the cost of the facilities and applicable depreciation reserve involved in the sale, lease, or other disposition, merger or consolidation, or acquisition of property of another utility, and a statement indicating where all existing data and records may be found:* Provided as Exhibit L.



k) *A statement as to whether or not any application with respect to the transaction or any part thereof, is required to be filed with any federal or other state regulatory body:* No other application with respect to the sale of this Substation lease is required to be filed with any federal or state regulatory body.

l) *The facts relied upon by applicants to show that the proposed sale, lease, assignment, or consolidation of facilities, mortgage or encumbrance of property, or acquisition of stock, bonds, or property of another utility will be consistent with the public interest:* The lease of the Substation is consistent with the public interest because Siltronic will pay for the costs of the Substation through lease payments to PGE for at least five years. Any risks associated with the maintenance of the Substation will be borne by Siltronic for the full term of the lease. PGE's remaining customers will be held harmless the economic benefit provided to Siltronic from the inception of the lease until new rates are established pursuant to a general rate case by PGE. PGE agrees to not seek deferral or otherwise charge customers for the economic benefit provided to Siltronic under PGE's current rate structure. Customers will receive the benefit of lease payments from Siltronic to cover the costs associated with the Substation property in PGE's next general rate case.

m) *The reasons, in detail, relied upon by each applicant, or party to the application, for entering into the proposed sale, lease, assignment, merger, or consolidation of facilities, mortgage or encumbrance of property, acquisition of stock, bonds, or property of another utility, and the benefits, if any, to be derived by the customers of the applicants and the public:* See History Section and paragraphs h) and l) above.

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<sup>1</sup> Siltronic will also be responsible for any privilege taxes payable to the City of Portland related to the lease payments.

n) *The amount of stock, bonds, or other securities, now owned, held or controlled by applicant, of the utility from which stock or bonds are proposed to be acquired:* Not applicable.

o) *A brief statement of franchises held, showing date of expiration if not perpetual, or, in case of transfer, that transferee has the necessary franchises:* Not applicable.

2) The following exhibits are submitted and by reference made a part of this application:

Exhibit A Articles of Incorporation, as amended. (Previously filed in Docket UP-79 and by reference made a part of this application.)

Exhibit B Bylaws, as Amended and Restated. (Previously filed in Docket UF-4206 and by reference made a part of this application.)

Exhibit C Not Applicable.

Exhibit D None.

Exhibit E Balance sheet as of March 30, 2005.

Exhibit F Statement of contingent liabilities as of March 30, 2005.

Exhibit G Income statement for the 3-month period ended March 30, 2005.

Exhibit H Analysis of retained earnings for the 3-month period March 30, 2005.

Exhibit I Documents supporting the Transaction: Sale Agreement and Appraisal documentation.

Exhibit J Proposed journal entries.

Exhibit K Worksheets and Supporting Documentation.

Exhibit L Statement by primary account of the Cost of the Substation.

Dated this 17<sup>th</sup> day of May, 2005

Respectfully Submitted,  
/s/ **Doug Kuns**

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Doug Kuns  
Manager, Pricing and Tariffs  
On Behalf of Portland General Electric Company  
121 SW Salmon Street, 1WTC-0702,  
Portland, Oregon 97204  
Phone: (503) 464-7580  
E-Mail: [Patrick.Hager@pgn.com](mailto:Patrick.Hager@pgn.com)  
Facsimile: (503) 464-7651

**Exhibits Attached to Application :** **Format**

**(Please do NOT place these attachments on the OPUC Website)**

E	Balance Sheet for transaction	Electronics (.PDF file)
F	Statement of Contingent Liabilities	Electronics (.PDF file)
G	Statement of Income	Electronics (.PDF file)
H	Statement of Retained Earnings	Electronics (.PDF file)
I	Substation Operating Lease Agreement	Hard Copy (6 pages)
J	Proposed Journal Entry	Electronics (.PDF file)
K	Worksheets and Supporting Documentation	Electronics (.PDF file)
L	Cost and Property Description	Electronics (.PDF file)

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