

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UP-____

In the Matter of the Application of)
PORTLAND GENERAL ELECTRIC COMPANY in) APPLICATION
Regard to the Disposition of its 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 disposition by sale, lease or otherwise of a percentage interest in the Boardman Coal Handling Facility ("Facility") located at the Boardman Generating Plant in Morrow County, Oregon ("Boardman").

Introduction

The co-owners of Boardman are PGE (65%) Idaho Power Company ("Idaho", 10%), Power Resources Cooperative, fka, Pacific Northwest Generating Cooperative ("PRC", 10%), and The Bank of New York (successor to J. Henry Schroder Bank and Trust Company), solely as Owner Trustee under a Trust Agreement, dated December 30, 1985, between it and General Electric Credit Corporation ("GECC") as the beneficial owner (15%). Pursuant to a Long Term Power Sales Agreement ("LTPSA"), San Diego Gas & Electric Company ("SDG&E") pays the costs associated with GECC's share of Boardman, including amounts related to the Facility, in exchange for rights to the electric output from Boardman corresponding to GECC's ownership share.

PGE, PRC, and Idaho entered into the Agreement for Construction, Ownership and Operation of the Number One Boardman Station on Carty Reservoir ("Operating Agreement), dated October 15, 1976. The same Operating Agreement has been further amended, restated, modified or supplemented from time to time for the construction, ownership and operation of

Boardman. Pursuant to an amendment, dated September 1, 1979 to the Operating Agreement, PRC and Idaho each conveyed to PGE all of their right, title and interest in and to their respective ownership shares of all machinery, equipment, fixtures and tangible personal property (“Equipment”) used to unload, transfer, store, handle and crush the coal that is used to fuel Boardman.

Subsequently, PGE, pursuant to a 1979 leverage lease financing transaction ("Financing Transaction"), transferred all of its estate, right, title and interest in the Equipment to Wells Fargo Bank National Association (the successor to First National Bank of Oregon), solely as Owner Trustee under a Trust Agreement between it and ICON/Boardman Facility LLC (the successor to Western America Financial, Inc.), the beneficial owner and Owner Participant (“ICON”), and then leased back the Facility from the Owner Trustee under a Lease Agreement (“Lease”), dated September 1, 1979. PGE was the sole lessee of the Facility. PGE paid 100% of the lease payments and charged Idaho, PRC and SDG&E their respective shares of the Lease payments and the cost of operation and maintenance of the Facility. The Financing Transaction was approved by the Commission in Order No. 79-763, Docket UF-3520, dated November 1, 1979.

The Lease, which was for 25-years, expired in January 2005, at which time PGE exercised its option to renew the Lease for an additional 5-year period (i.e., through January 2010) for lease rental payments of one-half the average annual rent of the original 25-year term. However, after January 2010, rental renewal or purchase options for the Facility are to be based on the fair market value (“FMV”) of the Facility at that time. Thus, PGE was faced with making the Lease payments for five years and then being exposed to the risk that the FMV in 2010 could be much higher, resulting in higher lease costs (if the lease were subsequently extended) or ownership costs (if purchased) after 2010.

ICON, as the beneficial owner under the Financing Transaction, approached PGE with a proposal to sell the Facility to PGE and terminate the Lease. PGE negotiated the accelerated purchase of the Facility and early termination of the Lease with ICON, and purchased the Facility (100%) for \$21.25 million (“Purchase Price”). The purchase of the Facility will mitigate potentially higher costs associated with the FMV-based lease or purchase in the future. PGE, as the sole lessee under the Lease, must purchase 100% of the Facility. Thus, PGE purchased 100% of the Facility and will, as required by its agreements with the co-owners, sell them their pro-rata share or enter into arrangements to charge them for the use of the Facility. In either event, the co-owners will continue to pay their pro-rata share of the operating and maintenance costs of the Facility.

This application requests Commission authorization to 1) sell an undivided interest in the Facility to each of Idaho and PRC, based on their 10% undivided ownership share of Boardman (“Ownership Share”), and 2), until such time as the sale is closed, to allow Idaho and PRC to use their Ownership Share of the Facility in accordance with the Operating Agreement. The sale price will be equal to the Ownership Share of the Purchase Price. The payment for use of the Facility will be approximately \$6,000 per month until the OPUC approves this application, and thereafter until the sale is closed, an amount to cover PGE’s cost of capital for the Ownership Share of the Purchase Price (“Use Charge”).

SDG&E will neither purchase an interest in nor lease a portion of the Facility. SDG&E, in accordance with the LTPSA, will continue to pay for the Facility as part of the price for the right to the electric output from Boardman

For accounting purposes (See Exhibit J), PGE will record the purchase of 100% of the Facility as an addition to plant in service, and then reduce the plant in service balance by the respective 10% Facility sales at PGE’s original cost, thus resulting in no gain or loss on the

respective sales. In the period from PGE's purchase of the Facility until the sale to PRC and Idaho, PGE will charge PRC and Idaho the Use Charge. SDG&E will continue to make payments in accordance with the LTPSA. As the operator of Boardman, PGE will continue to operate and maintain the Facility, and will charge PRC, Idaho and SDG&E a share of the costs of operation and maintenance of the Facility in accordance with the Operating Agreement and the LTPSA.

Since PGE currently owns only 65% of Boardman and needs only 65% of the Facility, customers will benefit from PGE continuing to keep only a 65% undivided interest in the Facility. In addition, customers will benefit from the continued operation of Boardman, including the Facility, in accordance with the agreements between PGE and the co-owners. The sale of 20% of the Facility at cost is consistent with PGE's agreements with the co-owners and the treatment of Boardman upgrades which allow the co-owners to participate at cost.

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, Idaho, Utah and Montana, 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

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, and

Jay Tinker, Project Manager
E-Mail: 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 | <u>204,728</u> | <u>\$20,473</u> |
| <i>Common Stock ** :</i> | | |
| \$3.75 Par Value (100,000,000 shares authorized): | <u>42,758,877</u> | <u>\$160,346</u> |

*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. On June 17, 2005, PGE and Enron filed to issue \$62.5 million shares of new PGE common stock to Enron's creditors.

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*

| Description | Authorized (\$000s) | Outstanding (\$000s) |
|--------------------------------------|--------------------------------|---------------------------------|
| 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: | | |
| 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 (i) sell a 20% undivided interest in the Facility to Idaho and PRC (10% each), co-owners of Boardman and (ii) allow Idaho and PRC to use a 20% (10% each) undivided interest in the Facility. The book value of the Facility is based on PGE's purchase price from ICON.

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 Facility includes all machinery, equipment, fixtures and tangible personal property used to unload, transfer, store, handle and crush the coal that is used to fuel Boardman as set out in Exhibit L.

This transaction includes a portion, but not all of the operating facilities of PGE. The Facility will continue to be used in its current function after the sale of a 20% interest to Idaho and PRC.

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:* PGE is required to obtain the approval of the Securities and Exchange Commission ("SEC") under the Public Utility Holding Company Act to sell the Facility, unless an exemption is available. There is an exemption for sales of utility facilities below \$5,000,000 aggregate in any one year. The

combined sale price for Idaho and PRC is below that amount. Depending on the timing of closing of these sales and other sales of utility property, PGE may either rely on the exemption for one or both of the sales or file with the SEC for one or both of the sales. In the event filing is required, the sale will not close until SEC approval is obtained. PGE is not prohibited from entering in an agreement to sell to Idaho and/or PRC before SEC approval is obtained, provided the agreement specifies that it is subject to SEC approval.

1) *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:*

Since PGE currently only owns 65% of Boardman and needs only 65% of the Facility, customers benefit from PGE disposing of unneeded interest in the Facility. In addition, customers benefit from the continued operation of Boardman, including the Facility, in accordance with the agreements between PGE and the co-owners. The sale of the 20% interest in the Facility at cost is consistent with PGE's agreements with the co-owners and the treatment of Boardman upgrades which allow the co-owners to participate at cost. Other than a corresponding share of the Facility to match PGE's current 65% interest in Boardman, the Facility is surplus to PGE's needs and not necessary for serving PGE's duty to the public. Allowing the co-owners to use the Facility until the sale is consistent with the Ownership Agreement for the operation and maintenance of Boardman and allows PGE to recover its carrying costs related to the purchase of the Facility until the sale.

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.

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 showing booked amounts, adjustments to record the proposed transactions and pro forma 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 Transactions:

(a) Letter confirming agreement of terms between PGE and PRC for the purchase of an undivided 10% interest in the property. PGE has verbal agreement with Idaho on the same, or similar, terms.

(b) Form of Bargain and Sale Deed and Bill of Sale to transfer the purchased interests in the Facility to Idaho and PRC.

(c) Form of Use Agreement for the use by Idaho and PRC of their undivided 10% interests in the Facility.

(d) Letter of Understanding Between PGE and Idaho for the purchase of an undivided 10% interest in the property: To be filed when complete.

Exhibit J Proposed journal entries.

Exhibit K Worksheets and Supporting Documentation. if applicable, to show benefit or public interest: Not applicable.

Exhibit L Statement by primary account of the Cost of the Facility and Description of the Property.

Dated this _____21st day of June, 2005

Respectfully Submitted,
/s/ **Patrick G. Hager**

Patrick G. Hager , Manager, Regulatory Affairs
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
Facsimile: (503) 464-7651

Exhibits Attached to Application : **Format**
(Please do NOT place these attachments on the OPUC Website)

| | | |
|---|--------------------------------------|------------------------|
| E | Balance Sheet for transaction | Electronic (.PDF file) |
| F | Statement of Contingent Liabilities | Electronic (.PDF file) |
| G | Statement of Income | Electronic (.PDF file) |
| H | Statement of Retained Earnings | Electronic (.PDF file) |
| I | Documents supporting the transaction | Electronic |
| J | Proposed Journal Entry | Electronic (.PDF file) |
| L | Cost and Property Description | Electronic (.PDF file) |



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

June 21, 2005

Via E-Filing and US Mail

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

Attention: **Commission Filing Center:**

Re: **UP-_____** Application for approval to Sell Property in Morrow County, Oregon

PGE does not believe that this transaction requires OPUC approval under ORS 757.480. Nevertheless, we decided we would prepare and file this application to ensure that the Boardman plant co-owners are not disadvantaged by our position.

The property PGE intends to sell is an undivided interest in the coal handling facility located at the Boardman generating plant. PGE previously leased this facility and charged the co-owners for their portion of the cost of the lease. Now, however, PGE has purchased the coal handling facility and, pursuant to the conditions of the Operating Agreement, will sell undivided interests in the facility to the other co-owners. The undivided interest that PGE intends to sell is equivalent to the co-owner's shares under the lease. Thus, the undivided interest (or property) is not "necessary or useful" in our duties to the public since it consists of a share of property beyond that which is needed to serve PGE's share of the Boardman facility. Furthermore, the transaction is not materially different than capital expenditures made to service or upgrade Boardman where the co-owners participate at "cost" pursuant to the Operating Agreement between PGE and the co-owners of Boardman.

Enclosed is the original signed Application for approval to sell or lease property in the County of Morrow. 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. PGE requests that the electronic attachments NOT be placed on the OPUC Website.

We ask that this Application be placed on the docket for consideration at the Commission's August 2, 2005 meeting, or as soon thereafter as possible.

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.

Sincerely,

/s/ Patrick G. Hager

Patrick G. Hager
Manager, Regulatory Affairs

Encls.
PGH/lbh

CC: Bob Jenks, CUB
Melinda Davison, ICNU
Monica Moen, Idaho Power
Bill Lehnebach, Power Resources Cooperative