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**DEPARTMENT OF JUSTICE**  
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October 30, 2013

Attention: Filing Center  
Public Utility Commission of Oregon  
3930 Fairview Industrial Drive SE  
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Re: *Portland General Electric Company Request for General Rate Revision*  
OPUC Docket No.: UE 262  
DOJ File No.: 860115-GB0183-13

Enclosed please find a memorandum from Staff regarding its review of PGE's Revenue Requirement Update.

Sincerely,

A handwritten signature in blue ink, appearing to read "Stephanie S. Andrus".

Stephanie S. Andrus  
Senior Assistant Attorney General  
Business Activities Section

Enclosed  
SSA:jrs/#4747269  
c: UE 262 Service list

**PUBLIC UTILITY COMMISSION OF OREGON  
INTEROFFICE CORRESPONDENCE**

**DATE:** October 28, 2013

**TO:** UE 262 Parties

**FROM:** Linnea Wittekind and Matt Muldoon

**SUBJECT: PGE UE 262 Updated Cost of Long Term Debt**

The Stipulating Parties (Parties) agreed to an authorized Return on Equity of 9.75 percent, and a Capital Structure of 50 percent equity and 50 percent LT Debt for test year 2014. Parties also agreed to update PGE's Cost of LT Debt no later than November 1, 2013, based on actual 2013 issuances. Portland General Electric (PGE or Company) has updated the Company's Cost of Long Term Debt (LT Debt) pursuant to the first partial stipulation in Docket No. UE 262.<sup>1</sup> The Cost of LT Debt reflecting the above 2013 bond issues described below is properly recorded by PGE as **5.541 percent** as shown in Staff Modified Attachment 1. Staff did not change the values provided by PGE, but did reformat this attachment for easier proofing and examination.

Staff has also reviewed the modified revenue requirement model provided by PGE and finds PGE has correctly updated the model based on the revised LT Debt.

**2013 Issuances**

On June 27, 2013, PGE and certain institutional buyers in the private placement market entered into a Bond Purchase Agreement for an aggregate principal amount of \$225 million of PGE's First Mortgage Bonds (Bonds). The Bonds consist of a 4.47 percent Series, due 2044, in the amount of \$150 million that will bear interest from its issue date at an annual rate of 4.47 percent with maturity on June 15, 2044, and a 4.47 percent Series, due 2043, in the amount of \$75 million that will also bear interest from its issue date at an annual rate of 4.47 percent with maturity on August 14, 2043.<sup>2</sup>

On October 17, 2013, the Company and certain institutional buyers in the private placement market entered into another Bond Purchase Agreement for an aggregate principal amount of \$155 million of PGE's First Mortgage Bonds (Second Bonds). These Second Bonds consist of a Series due November 15, 2042, in the amount of \$105 million, that will bear interest from its issue date until maturity at an annual rate 4.74 percent, and a Series due December 15, 2048, in the amount of \$50 million, that will bear interest from its issue date until maturity at an annual rate of 4.84 percent. The 4.74 percent Series is expected to be issued to the Buyers and funded, under a delayed draw, on or prior to November 15, 2013. The 4.84 percent series is expected to be issued to the Buyers and funded, under a delayed draw, on or prior to December 16, 2013.<sup>3</sup>

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<sup>1</sup> See First Partial Stipulation Page 2 and 3 addressing Revenue Requirement Issues regarding part (a) S-O Rate of Return and S-8 Stock Issuance Fees.

<sup>2</sup> Staff accessed PGE's Current Report filed with the U.S. Securities and Exchange Commission (SEC) on June 27, 2013, to confirm that PGE recorded the terms of the first two bond issuances accurately on Attachment 1.

<sup>3</sup> Staff accessed PGE's Current Report filed with the U.S. Securities and Exchange Commission (SEC) on October 17, 2013, to confirm that PGE recorded terms of the second set of bond issuances accurately on Attachment 1.

## Attachment 1

1/1/2014

## Cost of LT Debt – PGE Update Oct 28, 2013 (Formatting Adjusted by Staff)

(A)	AWO (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]	Embedded Cost (M)	Net to Gross Rate (N) [L / I]	Face Amount Outstanding (O)	Net Outstanding (P) [N * O]	Face Amount Weight (Q) [O / Total]	Weighted Rate (R) [Q * M]
1	7000000037	Series MTN	9.310% Series	12-Aug-91	11-Aug-21	30	9.310%	\$20,000,000	\$176,577	\$0	\$19,823,423	9.399%	99.117%	\$20,000,000	\$19,823,423	0.904%	0.085%
4	7000000021	Series VI MTN	5.625% Series	4-Aug-03	1-Aug-13	10	0.000%	\$50,000,000	\$0	\$0	\$0	0.000%	0.000%	\$0	\$0	0.000%	0.000%
5	7000000022	Series VI MTN	6.750% Series	4-Aug-03	1-Aug-23	20	6.523%	\$50,000,000	\$521,342	\$1,946,809	\$47,531,849	6.985%	95.064%	\$50,000,000	\$47,531,849	2.261%	0.158%
6	7000000023	Series VI MTN	6.875% Series	4-Aug-03	1-Aug-33	30	6.648%	\$50,000,000	\$521,342	\$1,946,809	\$47,531,849	7.046%	95.064%	\$50,000,000	\$47,531,849	2.261%	0.159%
7	7000000024	FMB	6.310% Series	26-May-06	1-May-36	30	6.310%	\$175,000,000	\$1,270,865	\$6,199,472	\$167,529,663	6.640%	95.731%	\$175,000,000	\$167,529,663	7.914%	0.525%
8	7000000025	FMB	6.260% Series	26-May-06	1-May-31	25	6.260%	\$100,000,000	\$723,857	\$4,132,982	\$95,143,161	6.662%	95.143%	\$100,000,000	\$95,143,161	4.522%	0.301%
9	7000000433	FMB	5.800% Series	16-May-07	1-Jun-39	32	5.800%	\$170,000,000	\$1,447,420	\$50,969	\$168,501,611	5.861%	99.119%	\$170,000,000	\$168,501,611	7.687%	0.451%
10	7000000027	FMB	5.810% Series	19-Sep-07	1-Oct-37	30	5.810%	\$130,000,000	\$1,627,092	\$0	\$128,372,908	5.899%	98.748%	\$130,000,000	\$128,372,908	5.879%	0.347%
11	7000000266	FMB	5.800% Series	12-Dec-07	1-Mar-18	10	5.800%	\$75,000,000	\$637,500	\$0	\$74,362,500	5.912%	99.150%	\$75,000,000	\$74,362,500	3.392%	0.201%
12	7000000267	FMB	4.450% Series	15-Apr-08	1-Apr-13	5	0.000%	\$50,000,000	\$0	\$0	\$0	0.000%	0.000%	\$0	\$0	0.000%	0.000%
14	7000000693	FMB	6.800% Series	15-Jan-09	15-Jan-16	7	6.800%	\$67,000,000	\$438,180	\$0	\$66,561,820	6.919%	99.346%	\$67,000,000	\$66,561,820	3.030%	0.210%
15	7000000181	FMB	6.100% Series	13-Apr-09	15-Apr-19	10	6.100%	\$300,000,000	\$2,608,223	\$0	\$297,391,777	6.218%	99.131%	\$300,000,000	\$297,391,777	13.566%	0.844%
16	7000000182	FMB	5.430% Series	3-Nov-09	3-May-40	30.5	5.430%	\$150,000,000	\$1,034,283	\$0	\$148,965,717	5.477%	99.310%	\$150,000,000	\$148,965,717	6.783%	0.372%
17	7000010695	FMB	3.460% Series	15-Jan-10	15-Jan-15	5	3.460%	\$70,000,000	\$0	\$0	\$70,000,000	3.609%	0.000%	\$0	\$0	0.000%	0.000%
18	7000000185	PCB	Clstrp 98A Fixed	11-Mar-10	1-May-33	23	5.000%	\$97,800,000	\$688,885	\$1,521,911	\$95,589,204	5.168%	97.739%	\$97,800,000	\$95,589,204	4.423%	0.229%
19	7000000036	PCB	Brdmn 98A Fixed	11-Mar-10	1-May-33	23	5.000%	\$23,600,000	\$166,234	\$912,065	\$22,521,701	5.346%	95.431%	\$23,600,000	\$22,521,701	1.067%	0.057%
20	7000001028	FMB	3.810% Series	15-Jun-10	15-Jun-17	7	3.810%	\$58,000,000	\$351,307	\$0	\$57,648,693	3.910%	99.394%	\$58,000,000	\$57,648,693	2.623%	0.103%
21	2013-1	FMB	4.47% Series	27-Jun-13	15-Jun-44	31	4.470%	\$150,000,000	\$1,121,463	\$0	\$148,878,537	4.515%	99.252%	\$150,000,000	\$148,878,537	6.783%	0.306%
22	2013-2	FMB	4.47% Series	29-Aug-13	14-Aug-43	30	4.470%	\$75,000,000	\$560,731	\$0	\$74,439,269	4.516%	99.252%	\$75,000,000	\$74,439,269	3.392%	0.153%
23	2013-3	FMB	4.74% Series	15-Nov-13	15-Nov-42	29	4.740%	\$105,000,000	\$697,742	\$0	\$104,302,258	4.783%	99.335%	\$105,000,000	\$104,302,258	4.748%	0.227%
24	2013-4	FMB	4.84% Series	16-Dec-13	15-Dec-48	35	4.840%	\$50,000,000	\$332,258	\$0	\$49,667,742	4.880%	99.335%	\$50,000,000	\$49,667,742	2.261%	0.110%
25	2014-1	FMB	2044 Forecast	31-May-14	31-May-44	30	4.428%	\$80,000,000	\$780,000	\$0	\$79,220,000	4.488%	99.025%	\$80,000,000	\$79,220,000	3.618%	0.162%
26	2014-2	FMB	2044 Forecast	30-Jun-14	30-Jun-24	10	3.300%	\$90,000,000	\$877,500	\$0	\$89,122,500	3.416%	99.025%	\$90,000,000	\$89,122,500	4.070%	0.139%
27	2014-3	FMB	2044 Forecast	31-Aug-14	31-Aug-44	30	4.428%	\$60,000,000	\$585,000	\$0	\$59,415,000	4.488%	99.025%	\$60,000,000	\$59,415,000	2.713%	0.122%
28	2014-4	FMB	2044 Forecast	31-Oct-14	31-Oct-44	30	4.428%	\$50,000,000	\$487,500	\$0	\$49,512,500	4.488%	99.025%	\$50,000,000	\$49,512,500	2.261%	0.101%
29	2014-5	FMB	2044 Forecast	30-Nov-14	30-Nov-44	30	4.428%	\$85,000,000	\$828,750	\$0	\$84,171,250	4.488%	99.025%	\$85,000,000	\$84,171,250	3.844%	0.172%
								\$365,000,000	4.428%								
Removed (Current Portion LT Debt)								4.15%	4.15%	\$167,007	(\$167,007)						
2013 - 2014 Bond Issues								\$2,746,400,000	\$18,484,051	\$16,878,024	\$2,246,037,925						
Cost of LT Debt					(includes annual expense from loss on reacquired debt)												5.541%

Losses on Other Reacquired Debt	Issue Date	Mat. Date	Reacquisition Date	Gross Proceeds	Total Gain/Loss to Amortize	2014 Expense
7000000187 5.450% Colstrip 98B Fixed PCB due 04/30/33	1-May-03	1-May-33	1-May-09	\$21,000,000	\$411,622	\$17,139
7000000189 Trojan 90A Fixed	1-Jul-98	1-Aug-14	15-Jan-11	\$9,600,000	\$63,836	\$10,459
7000000688 6.500% Series	15-Jan-09	15-Jan-14	29-Dec-11	\$63,000,000	\$7,448,429	\$139,409
						\$167,007

2014			
25	4.428%	\$80,000,000	3,542,545
27	3.300%	\$90,000,000	2,970,000
27	4.428%	\$60,000,000	2,656,909
27	4.428%	\$50,000,000	2,214,091
28	4.428%	\$85,000,000	3,763,955
		\$365,000,000	15,147,500
PGE Scenarios:		4.15%	

YES	June 2013 issuance (\$150m)?
YES	August 2013 issuance (\$75m)?
YES	November 2013 issuance (\$105m)?
YES	December 2013 issuance (\$50m)?
YES	May 2014 Issuance (\$80m)?
YES	June 2014 Issuance (\$90m)?
YES	August 2014 Issuance (\$60m)?
YES	October 2014 Issuance (\$50m)?
YES	November 2014 Issuance (\$85m)?

## Notes

- 1 On 7/1/98, Trojan variable rates were fixed, though not extended. These bonds were redeemed at par Jan. 2011. Includes partial-year 2014 amortization of reacquisition cost.
- 2 \$5.8 million in call premia resulting from acquisition of 9.46% and 7.75% issues was allocated evenly among August 2003 issues (see UE 180, PGE Exhibit 1400, page 3).
- 3 5.625% Series moves to due w/in one-year in August 2012.
- 4 There was a \$12 million call premium on the 8.125% redeemed issue. A portion was disallowed in UE 180.
- 5 The remainder is rolled into the new debt and will be paid over the period of the May 2006 issuances.
- 6 \$5.1 million Trojan 1990B PCBs redeemed early in June 2007. Unamortized loss of \$50,969 was added to the 5.80% series \$170MM issued in May 2007 used to redeem the PCBs.
- 7 In February 2008, PGE repurchased the 5.279% issue due 04/01/2013. The issue was subsequently reissued on 04/15/2008 at 4.45% for a period of 5 years (due on original maturity date of 04/01/2013). Moves to due w/in one-year in April 2012.
- 8 "DD&E Issue Costs" (Column J) was updated to reflect \$222,000 discount to par at issuance.
- 9 "DD&E Issue Costs" (Column J) was updated to reflect actual issuance expenses.
- PCB issues put-back to PGE in May 2009. PGE re-marketed in March 2010 (due on original maturity date of 05/01/2033).
- Per "Rate Base Roll-forward DRAFT\_1.xlsx" - 5312013; assumes 80bps for 10-year and 100 bps (as % of principal) for 30-year

## CERTIFICATE OF SERVICE

I hereby certify that on October 30, 2013, I served the foregoing document upon the persons named on the service list below who have waived such service by mail, by serving a full, true and correct copy thereof at their e-mail addresses as follows:

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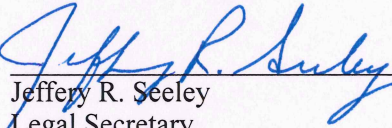
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