ELLEN F. ROSENBLUM Attorney General



MARY H. WILLIAMS Deputy Attorney General

DEPARTMENT OF JUSTICE GENERAL COUNSEL DIVISION

October 30, 2013

Attention: Filing Center Public Utility Commission of Oregon 3930 Fairview Industrial Drive SE Salem OR 97302-1166 puc.filingcenter@state.or.us

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,

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 262.¹ 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, 2043.²

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 4.74 percent 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 to be issued to the Buyers and funded, under a delayed draw, on or prior to December 16, 2013.³

¹ 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.

² 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.

³ 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.

4 700000021 Series VI MTN 5.625% Series 4-Aug-03 1-Aug-13 10 0.000% 50 50 2 50 0.000% 0.000% 50 50 2 50 0.000% 0.000% 50 50 2 50 0.000% 0.000% 50 52 34 51 64 69 55 50 0.000% 52 34 51 64 69 55 50 0.000% 52 34 51 64 68 55 0.000% 52 34 51 64 68 700000025 FIMB 6.300% Series 2-May-06 1-May-36 30 6.649% \$10 0.00000 \$1273,857 \$4 322 35 13 16 6.662% 95.143% \$100.0000 \$1474,420 \$50 05 \$51 35 35 35 35 35 36 35 36 36 36 37 35 36 36 35 35 35									Attack	nment 1									
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6 7000000023 Series VI MTN 6.875% Series 4-Au_0-33 30 6.648% \$50,000,000 \$221,842 \$19,46,800 2 \$47,531,849 7.048% 95,000,000 7 7000000025 FMB 6.310% Series 26-May-06 1-May-36 30 6.310% \$175,000,000 \$1,270,865 \$6,19,472 3 \$167,529,663 6.640% 95.73% \$170,000,000 \$1,270,825 \$4,132,982 3 \$55,143,161 6.662% 95.143% \$100,000,000 \$12,70,285 \$4,132,982 3 \$55,143,161 5.662% \$95,143% \$100,000,000 \$12,70,22 \$0 \$128,57,111 5.861% \$91,19% \$170,000,000 \$1,474,420 \$50,969 \$128,57,111 5.861% \$91,19% \$170,000,000 \$127,022 \$0 \$128,57,114 \$10 \$50,000,000 \$127,902 \$0 \$128,57,114 \$10 \$50,000,000 \$127,902 \$0 \$128,57,114 \$10,474% \$10,000,000 \$10,37,500,000 \$10,37,500,000 \$10,37,500,000 \$10,37,500,000,00 \$10,37,4362,500 \$50,97	4	700000021	Series VI MTN	5.625% Series	4-Aug-03	1-Aug-13	10		\$50,000,000		\$0	2				\$0	\$0	0.000%	0.000%
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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 24 2013-4 FMB 4.84% Series 15-Dec-18 35 4.840% \$\$00,000 \$332,258 \$0 \$404,607,742 4.880% 99.335% \$\$00,000,000 25 2014-1 FMB 2044 Forecast 31-May-44 30 4.428% \$\$00,000 \$\$77,500 \$0 \$79,220.00 4.488% 99.025% \$\$90,000,000 26 2014-2 FMB 2044 Forecast 31-May-44 30 4.428% \$90,000,000 \$877,500 \$0 9 \$99,025% \$90,000,000 27 2014-3 FMB 2044 Forecast 31-Aug-44 30 4.428% \$60,000,000 \$877,500 \$0 9 \$59,415,000 4.488% 99.025% \$60,000,000 28 2014-4 FMB 2044 Forecast 31-Aug-44 30 4.428% \$60,00																	\$74,439,269	6.783% 3.392%	0.306%
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 25 2014-1 FMB 2044 Forecast 31-May-14 31-May-14 30 4.428% \$80,000,000 \$780,000 \$0 9 \$79,220,000 4.488% 99.025% \$80,000,000 26 2014-2 FMB 2044 Forecast 30-Jun-14 30-Jun-24 10 3.300% \$97,500 \$0 9 \$89,122,500 3.416% \$90,000,000 \$877,500 \$0 9 \$59,415,000 4.488% \$90,025% \$90,000,000 \$27 2014-3 FMB 2044 Forecast 31-Aug-44 30 4.428% \$50,000,000 \$877,500 \$0 9 \$59,415,000 4.488% 99.025% \$60,000,000 \$877,500 \$0 9 \$49,512,500 4.488% 99.025% \$50,000,000 \$685,500 \$0 9 \$49,512,500 4.488% 99.025% \$50,000,000			=														\$104.302.258	4.748%	0.133 %
25 2014-1 FMB 2044 Forecast 31-May-14 30 4.428% \$80,000,000 \$780,000 \$0 9 \$79,220,000 4.488% 99.025% \$80,000,000 26 2014-2 FMB 2044 Forecast 30-Jun-14 30-Jun-24 10 3.300% \$90,000,000 \$877,500 \$9 \$89,122,500 3.416% 99.025% \$80,000,000 27 2014-3 FMB 2044 Forecast 31-Aug-14 31-Aug-44 30 4.428% \$60,000,000 \$877,500 \$0 9 \$59,415,000 4.488% 99.025% \$60,000,000 28 2014-4 FMB 2044 Forecast 31-Aug-14 31-Aug-244 30 4.428% \$60,000,000 \$875,500 \$0 9 \$49,512,500 4.488% 99.025% \$60,000,000 28 2014-4 FMB 2044 Forecast 31-Oct-44 30 4.428% \$50,000,000 \$487,500 \$0 9 \$49,512,500 4.488% 99.025% \$60,000,000 28 2014-																	\$49,667,742	2.261%	0.227 %
26 2014-2 FMB 2044 Forecast 30-Jun-14 30-Jun-24 10 3.300% \$90,000,000 \$877,500 \$0 9 \$89,122,500 3.416% 99.025% \$90,000,000 27 2014-3 FMB 2044 Forecast 31-Aug-14 30-Jun-24 30 4.428% \$60,000,000 \$877,500 \$0 9 \$59,415,000 4.488% 99.025% \$60,000,000 28 2014-4 FMB 2044 Forecast 31-Aug-14 30 4.428% \$60,000,000 \$487,500 \$0 9 \$49,512,500 4.488% 99.025% \$60,000,000 28 2014-4 FMB 2044 Forecast 31-Oct-44 30 4.428% \$60,000,000 \$487,500 \$0 9 \$49,512,500 4.488% 99.025% \$60,000,000 28 2014-4 FMB 2044 Forecast 31-Oct-44 30 4.428% \$60,000,000 \$487,500 \$0 9 \$49,512,500 4.488% 90.025% \$60,000,000 \$60,000,000 \$60,000,000												0					\$79,220,000	3.618%	0.162%
27 2014-3 FMB 2044 Forecast 31-Aug-14 30 4.428% \$60,000,000 \$585,000 \$0 9 \$59,415,000 4.488% 99.025% \$60,000,000 28 2014-4 FMB 2044 Forecast 31-Oct-14 31-Oct-44 30 4.428% \$50,000,000 \$487,500 \$0 9 \$49,512,500 4.488% 99.025% \$50,000,000																	\$89,122,500	4.070%	0.139%
28 2014-4 FMB 2044 Forecast 31-Oct-14 31-Oct-44 30 4.428% \$50,000,000 \$487,500 \$0 9 \$49,512,500 4.488% 99.025% \$50,000,000																	\$59,415,000	2.713%	0.133%
												9					\$49,512,500	2.261%	0.101%
29 2014-5 EMB 2044 Forecast 30-Nov-14 30-Nov-44 30 4 428% \$85,000,000 \$828,750 \$0,9 \$84,171,250 4 488% 99,025% \$85,000,000	29	2014-5	FMB	2044 Forecast	30-Nov-14	30-Nov-44	30	4.428%	\$85,000,000	\$828,750		9	\$84.171.250	4.488%	99.025%	\$85,000,000	\$84.171.250	3.844%	0.172%
23 2014-3 11MB 20441016283 30400444 30 4.42078 305,000,000 3020,130 30 3 304,111,230 4.40078 35,02378 305,000,000 \$365,0000 \$365,000,00	20	2019 0		2011101000001	001107 14	001100 44	00	4.42070			φ0	Č	ψ04,171,200	4.40070	55.02070	φ00,000,000	ψ04,111,200	0.04470	5.17270
Removed (Current Portion LT Debt) Annual expense from loss on reacquired debt 4.15% 4.15% \$167,007 (\$167,007)					om loss on rea	cquired debt		-							-				_
2013 - 2014 Bond Issues Totals \$2,746,400,000 \$18,484,051 \$16,878,024 \$2,246,037,925 \$2,211,400,000	2013 - 2014 Bond Issues		S	Totals				-	\$2,746,400,000	\$18,484,051	\$16,878,024		\$2,246,037,925		-	\$2,211,400,000	\$2,176,204,932	100.00%	<u>6</u> 5.534%

Cost of LT Debt (includes annual expense from loss on reacquired debt)

						Total Gain/Loss	2014
Losses on Ot	ther Reacquired Debt	Issue Date	Mat. Date	Reacquisition Date	Gross Proceeds	to Amortize	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
700000189	Trojan 90A Fixed	1-Jul-98	1-Aug-14	15-Jan-11	\$9,600,000	\$63,836	\$10,459
700000688	6.500% Series	15-Jan-09	15-Jan-14	29-Dec-11	\$63,000,000	\$7,448,429	\$139,409
							\$167,007

Notes

- 0n 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. \$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). 2 5.625% Series moves to due w/in one-year in August 2012.
- There was a \$12 million call premium on the 8.125% redeemed issue. A portion was disallowed in UE 180. 3
- The remainder is rolled into the new debt and will be paid over the period of the May 2006 issuances. \$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. 4 5 In February 2008, PGE repurchased the 5.279% issue due 04/01/2013. The issue was subsequentally 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.
- 6 "DD&E Issue Costs" (Column J) was updated to reflect \$222,000 discount to par at issuance.
- 7 "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). 8
- Per 'Rate Base Roll-forward DRAFT_1.xlsx' 5312013; assumes 80bps for 10-year and 100 bps (as % of principal) for 30-year Q

		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					
Е	Scenarios:			4.15%					
	YES	June 2013	lune 2013 issuance (\$150m)?						
	YES	August 201	3 issuance (\$75m)?						
	YES	November	2013 issuance (\$105m)?						
	YES	December	2013 issuance (\$50m)?						
	YES	May 2014 l	ssuance (\$80m)?						
	YES	June 2014	Issuance (\$90m)?						
	YES	August 201	4 Issuance (\$60m)?						
	YES	October 20	14 Issuance (\$50m)?						
	YES	November	2014 Issuance (\$85m)?						

P

5.541%

CERTIFICATE OF SERVICE

I hearby 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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Suley eeley legal Secretary

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