

ORDER NO. 01-1048

ENTERED DEC 10 2001

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BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UF 4179

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

**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 points¹ over LIBOR²;
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.

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 Yield²
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 Yield⁴
366 days	3 years	+ 400 basis points
3 years	4 years	+ 425 basis points
5 years	6 years	+ 450 basis points
7 years	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 Yield²
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