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**BEFORE THE PUBLIC UTILITY COMMISSION**  
**OF OREGON**

UF 4178

In the Matter of the Application of PORTLAND )  
GENERAL ELECTRIC COMPANY for )  
Authority to Issue Extendible Commercial Notes. ) ORDER  
)

**DISPOSITION: APPLICATION APPROVED WITH REPORTING REQUIREMENTS**

On April 23, 2001, Portland General Electric Company (PGE) filed an application under Oregon Revised Statute ORS 757.415 and ORS 757.480 to issue up to \$70,000,000 of Extendible Commercial Notes.

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 this application satisfies applicable statutes and administrative rules. At its public meeting on May 22, 2001, the Commission adopted Staff's recommendation and approved PGE's current request.

**ORDER**

IT IS ORDERED THAT the application of Portland General Electric Company for authorization to issue up to \$70,000,000 of Extendible Commercial Notes, is granted, subject to the conditions and reporting requirements, as specified in Appendix A.

Made, entered and effective \_\_\_\_\_.

BY THE COMMISSION:

\_\_\_\_\_  
**Vikie Bailey-Goggins**  
Commission Secretary

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.

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: May 22, 2001**

REGULAR AGENDA  CONSENT AGENDA  EFFECTIVE DATE

**DATE:** May 11, 2001

**TO:** Phil Nygaard through Marc Hellman and Bryan Conway

**FROM:** Ming Peng

**SUBJECT:** UF 4178 Portland General Electric Co.'s Application for Authority to Issue Up to \$70,000,000 of Extendible Commercial Notes.

**SUMMARY RECOMMENDATION:**

I recommend approving the application with reporting requirements.

**DISCUSSION:**

On April 23, 2001, Portland General Electric Co. (PGE) filed an application under Oregon Revised Statute ORS 757.415 and ORS 757.480 to issue up to \$70,000,000 of Extendible Commercial Notes (ECNs, see Appendix 1). The ECNs may be issued periodically by PGE at its discretion in minimum amounts of \$250,000 up to a total outstanding amount not to exceed \$70 million. The ECNs will have an initial maturity, as selected by PGE, from 1 day to a maximum of 90 days (Regular Maturity). The ECNs can be repaid on each maturity date and reissued with each subsequent maturity, which is also a Regular Maturity, not to exceed 90 days. The Company can extend the maturity of the note to a maximum of 390 days.

The proposed ECNs will be used periodically as an additional source of liquidity and will compliment the PGE's commercial paper program. Unlike commercial paper, the rating agencies do not require committed credit as a backstop for ECNs so long as they do not comprise more than 20% of a company's short-term debt.

**Use of Proceeds**

PGE will use the proceeds for the following purposes: the acquisition of utility property or the construction, extension or improvement of utility facilities; the improvement or maintenance of service. Such purpose is consistent with ORS 757.415 (1). To the extent proceeds are used to reimburse the treasury for funds used to discharge or lawfully refund obligations, such obligations were incurred for purposes described in ORS 757.415 (l)(a), (l)(b) or (l)(e), or for the purposes described in ORS 757.415 (l)(a), (l)(b) or (l)(e) directly.

**Interest Rate**

The interest rate during any Regular Maturity will be at the market rate for such instruments at the time of issuance and is expected to approximate the rate for PGE's commercial paper for a similar maturity. The rate during any period in which PGE elects to extend the maturity to 390 days will be a floating rate adjusted monthly based on a

spread over the 30-day London Interbank Offered Rate (LIBOR) and will be tied to PGE's commercial paper ratings. (See Appendix 2 for a list of the spreads for different rating categories.)

**Expenses**

PGE has selected Goldman Sachs to act as Agent for the placement of the Notes. PGE will not pay separate fees to the Agent. PGE will pay interest on the Notes and the Agent will derive its compensation by deducting a portion of the interest to be paid to the buyer of the Notes. In addition, the Company will pay issuing and paying agency fees to a commercial bank to effect the settlement and maturity of the Notes. The costs of issuing and paying agency fees are expected to be less than \$300 per month. Such fees and expenses appear reasonable.

**STAFF RECOMMENDATION:**

I recommend the Commission approve PGE's application subject to the reporting requirement: PGE's borrowing shall be cost-effective; and, PGE will demonstrate that the interest rate it achieves is competitive. I also recommend that the company be required to file the usual Report of Securities Issued and Disposition of Net Proceeds statements as soon as possible after each sale.

**Appendix 1. Extendible Commercial Notes (ECNs)**

ECNs are a relatively new financing tool underwritten by Goldman Sachs. ECNs are issued by highly rated corporations and, more recently, by municipalities. While ECNs are issued for a finite period, often 90 days, the issuer, at its discretion, can extend the maturity of the note to a maximum of 390 days. Benefits to the issuer include cost savings since it can issue ECNs without obtaining back-up liquidity. If the issuer were to lack the necessary funding to pay off the notes at the initial redemption date, it could extend the maturity until alternative funding is obtained.

**ECNs**

<b>Purpose:</b>	Additional financing to support short term funding needs w/o needing a credit facility backstop
<b>Amount:</b>	Up to 20 to 25% of existing credit lines
<b>Implementation Time:</b>	Approx. 30 days
<b>Initial Term:</b>	Up to 90 days
<b>Extension Option:</b>	Issuer may extend to 390 days from initial issue date
<b>Ranking:</b>	Senior unsecured obligation
<b>Offering Price:</b>	Offered at discount like Commercial Paper (trades at a slight spread)
<b>Extension Pricing:</b>	30-day LIBOR x 115% for A1/P1 30-day LIBOR x 130% for A2/P2
<b>Ratings:</b>	Separate, but same as Commercial Paper

**Appendix 2. Listed below are the spreads for different rating categories:**

Prevailing Assigned Rating		% of 30-Day LIBOR
S&P	Moody's	
A-1+	P-1	110%
A-1	P-1	115%
A-2	P-2	130%
A-3	P-3	150%
<A-3	<P-3	175%