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

UF 4179

In the Matter of the Application of PORTLAND )  
GENERAL ELECTRIC COMPANY for )  
Authority to Issue and Sell not more than \$250 ) ORDER  
million of First Mortgage Bonds and/or Senior )  
Unsecured Notes. )

**DISPOSITION: APPLICATION APPROVED; WITH REPORTING REQUIREMENTS**

On July 13, 2001, Portland General Electric Company (PGE) filed an application pursuant to ORS 757.415, ORS 757.480, and OAR 860-027-0030 for authority to issue and sell not more than \$250,000,000 of first mortgage bonds (Bonds) and/or senior unsecured notes (Debt).

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 August 7, 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 \$250,000,000 of first mortgage bonds and/or senior unsecured notes, is granted, subject to the conditions and reporting requirements, as further 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: August 7, 2001**

**REGULAR AGENDA** \_\_\_ **CONSENT AGENDA** **X** **EFFECTIVE DATE**

**DATE:** July 25, 2001

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

**FROM:** Ming Peng

**SUBJECT:** UF 4179 - Portland General Electric Co.'s Application for Authority to Issue Up to \$250 Million of Debt Securities

**SUMMARY RECOMMENDATION:**

I recommend approving the amended application with reporting requirements.

**DISCUSSION:**

On July 13, 2001, Portland General Electric Co. (PGE) filed an application pursuant to Oregon Revised Statutes (ORS) 757.415 & 757.480, and Oregon Administrative Rule 860-27-0030 for authority to issue and sell not more than \$250,000,000 of first mortgage bonds (Bonds) and/or senior unsecured debts (Debt).

**First Mortgage Bonds**

The Bonds will be issued under PGE's First Mortgage. The Bonds will initially be secured equally with all other First Mortgage Bonds of PGE as part of a lien against substantially all of PGE's utility property. The Bonds will be equal in right of payment to all other First Mortgage Bonds and to all Senior Unsecured Debt of PGE. Once all of the other First Mortgage Bonds are retired, the Bonds will become unsecured and will no longer have a lien against any of PGE's assets. The Bonds will be issued under a supplemental indenture, which is part of PGE's First Mortgage.

**Unsecured Debt**

The Debt will be issued as senior unsecured debt of PGE. The Debt will not be secured by any lien. Payment of the principal, interest and any premium will generally be equal in right of payment to all of PGE's First Mortgage Bonds and all other unsecured debt, but will be subject to the prior lien rights of the holders of First Mortgage Bonds. PGE will choose a Trustee and a trust indenture will be created for the issuance of the Debt.

**Interest Rate**

The interest rate on the Debt or Bonds will be fixed and will be payable semi-annually in arrears. The interest rate, depending on maturity, is expected to be approximately 6.30 to 8.00 percent per annum for Bonds, and approximately 6.50 to 8.25 percent for Debt based on current market conditions. The proposed maximum spread over the respective Treasury security for both Debt and Bonds is set forth later in this application.

**Expense**

The underwriters' commission is \$1.6 million, which is 0.65% of the total amount. The total expense from the sale is 2.04 million, which is 0.82% of the total amount of \$250 million. The interest rates, fees, and expenses appear reasonable.

**Use of Proceeds**

PGE will use the proceeds for the following purposes: the acquisition of utility property, the construction, extension or improvement of utility facilities, the improvement or maintenance of service, the discharge or lawful refunding of obligations which were incurred for utility purposes permitted under ORS 757.415 (l)(a), (b), (c), (d) or (e), or the reimbursement of PGE treasury for funds used for the foregoing purposes, except the maintenance of service and replacements. To the extent proceeds are used to discharge or lawfully refund obligations, they or their precedents were originally incurred for purposes described in ORS 757.415 (l)(a), (b) or (e). 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), (b) or (e), or for the purposes described in ORS 757.415 (l)(a), (b) or (e) directly.

As a public utility, PGE is obligated to secure sufficient generating, transmission, and distribution capacity to serve its customers reliably at the lowest reasonable cost. PGE believes the Debt/Bonds issued in the manner proposed, would minimize the overall capital costs associated with such public utility obligations.

**STAFF RECOMMENDATION:**

I recommend the Commission approve PGE's application to issue not more than \$250 million of debt securities in the form of FMBs and/or unsecured debt, subject to reporting requirements:

PGE should demonstrate that it achieves a competitive rate on (1) any publicly offered FMB (by providing at least one comparable MTN posting); (2) any MTN by reporting two comparable MTN postings pursuant to any issuance and sale; (3) PGE should demonstrate that any early refunding is cost-effective; (4) PGE should also file the usual Report of Securities Issued and Disposition of Net Proceeds Statements as soon as possible after any issuance and sale.

For rate-making purposes, the Commission reserves judgment on the reasonableness of the Company's capital costs and capital structure. In its next rate proceeding, PGE will be required to show that its capital costs and structure are just and reasonable.

### Attachment

#### Interest rate on the 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 are 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 Yield <sup>1</sup>
3 years	4 years	+ 180 basis points <sup>2</sup>
5 years	6 years	+ 190 basis points
7 years	8 years	+ 200 basis points
10 years	11 years	+ 220 basis points
30 years	31 years	+ 260 basis points

#### Interest rate on the Debt:

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 security 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 <sup>1</sup>
3 years	4 years	+ 200 basis points
5 years	6 years	+ 210 basis points
7 years	8 years	+ 220 basis points
10 years	11 years	+ 240 basis points
30 years	31 years	+ 280 basis points

<sup>1</sup> 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.

<sup>2</sup> Basis point is defined as one-hundredth of a percentage point; i.e., 100 basis points equals 1 percent.

**Expenses:**

Total amount of the Debt/Bonds to the ultimate purchaser and **expenses** and net proceeds to the Applicant resulting from the sale are estimated to be as follows:

Item	Debt	
	Amount	Per \$100
1. Face value or principal amount	\$250,000,000	\$100.00
2. Plus premium or less discount		
3. Gross proceeds	\$250,000,000	\$100.00
4. Underwriters' spread or commission (0.65%)	1,625,000	
5. Securities and Exchange Commission registration fee	62,500	
6. Printing and engraving expenses	40,000	
7. Trustee's charges	30,000	
8. Fees and expenses of independent public accountants	25,000	
9. Rating agency fees	60,000	
10. Blue Sky fees	50,000	
11. Miscellaneous expenses	150,000	
12. Total deductions	\$2,042,500	.82
13. Estimated net amount to be realized	\$247,957,500	\$99.18