

This is an electronic copy. Attachments may not appear.

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4182

In the Matter of the Application of PORTLAND)	
GENERAL ELECTRIC COMPANY for)	
Authority to Borrow up to \$100,000,000 from)	ORDER
ENRON CORPORATION, An Affiliated)	
Interest.)	

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On September 17, 2001, Portland General Electric (PGE) filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.410(1), 757.415(3), 757.495(5) and Rule 860-027-0030, requesting authority to borrow up to \$100,000,000 from its parent, Enron Corporation (Enron), an affiliated interest.

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 September 25, 2001, the Commission adopted Staff's recommendation and approved PGE's current request.

ORDER

IT IS ORDERED THAT the application of Portland General Electric is granted, subject to the conditions, as further specified in Appendix A.

Made, entered and effective _____.

BY THE COMMISSION:

Vikie Bailey-Goggins
Commission Secretary

ORDER NO. 01-838

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. CA 2

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 25, 2001**

REGULAR X **CONSENT** **EFFECTIVE DATE** _____

DATE: September 21, 2001

TO: Phil Nyegaard through Marc Hellman and Bryan Conway

FROM: Ming Peng and Tom Riordan

SUBJECT: UF 4182 - Portland General Electric Application For Authority To Borrow Up To \$100,000,000 From Its Parent - Enron Corp, An Affiliated Interest

SUMMARY RECOMMENDATION:

We recommend the Commission approve the application with conditions.

DISCUSSION:

On September 17, 2001, the Commission received an application from Portland General Electric (PGE), filed pursuant to ORS 757.410(1), ORS 757.415(3), ORS 757.495(5) and Rule 860-27-030, requesting authority to borrow up to \$100,000,000 from its parent, Enron Corp (Enron), an affiliated interest.

PGE proposes to enter into a loan (revolving credit¹, a short-term loan regulated by the Commission because its term can exceed 1 year) agreement and execute a promissory note with Enron. Under the agreement and note, PGE would be able to borrow up to an aggregate amount not to exceed \$100 million. PGE would be able to borrow, repay and re-borrow funds so long as the amount outstanding does not exceed \$100 million at any one time. PGE would also be able to have multiple loans outstanding at one time under the agreement so long as the total does not exceed \$100 million.

¹ **Revolving Credit:** An agreement by a bank to lend a specific amount to a borrower, and to allow that amount to be borrowed again once it has been repaid. Also called **revolving line of credit**.

Use of Proceeds:

PGE states that the loans made under this facility and related note will only be used to refund a portion of the Applicant's outstanding commercial paper. Such commercial paper to be refunded was specifically incurred to (1) refund the Applicant's \$45 million, 7.40% First Mortgage Bonds which matured on September 17, 2001 and (2) finance a \$55 million of the Company's 2001 construction of utility property. As of August 31, 2001 the Company had expended \$130 million for construction of utility property for calendar year 2001.

These purposes are consistent with statutory requirements that state the following: the securities are to be issued for 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 (1)(a), (b), (c), (d), or (e) or the reimbursement of the Company 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 (1)(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 (1)(a), (b) or (e), or for the purposes described in ORS 757.415 (1)(a), (b) or (e) directly. See Attachment A for details regarding PGE's specific proposed use of proceeds.

Interest Rate and Expenses:

The loans under the agreement will provide an additional source of cash to PGE at a cost equal to or below PGE's commercial paper rate. The interest rate on the loans will be fixed and will be set at the time of the actual borrowing. Also, PGE will have the ability to pre-pay the loans without penalty. Lastly, there will be no fees paid to anyone with respect to any loans made by Enron to PGE.

Affiliated Interest Matters:

In a financing transaction involving affiliated interests, such as in this docket, the applicant is required to demonstrate that the transaction is fair and reasonable, and not contrary to the public interest. Staff has carefully investigated this proposed transaction, with particular scrutiny of the transfer price aspects. Staff believes PGE, with the adoption of proposed ordering condition No. 1, will meet the Commission's transfer pricing policy for affiliated interest transactions. This then would result in the proposed transaction being fair and reasonable, and not contrary to the public interest.

DETAILED STAFF RECOMMENDATION:

We recommend the Commission approve PGE's application, with the following conditions:

1. The interest rate PGE is charged by Enron shall be the lesser of market or cost. The maximum interest rate charged shall be less than or equal to PGE's commercial paper rate on the day the loan is issued. In order to ensure this condition is met, PGE shall demonstrate that the cost of any loan under this revolving credit arrangement is no greater than the lower of Enron's or PGE's commercial paper cost for like maturities in a similar timeframe. This demonstration shall include daily cost information from actual commercial paper transactions performed by Enron and PGE.
2. The revolving credit arrangement shall terminate 366 days from the date it is approved.
3. PGE shall demonstrate to the Commission that PGE has no other short-term borrowing alternatives available before it uses its revolving line of credit with Enron or that the use of the revolving line of credit with Enron results in savings.
4. PGE shall maintain records on both Enron's and PGE's commercial paper transactions, including costs and shall provide this information to the Commission upon request.
5. PGE shall submit a report within 30 days of any loans made under this arrangement that demonstrates that the funds from the loans made under this arrangement were used for the purposes stated in Attachment A.
6. PGE shall demonstrate, upon any replacement, renewal, or extension of such credit agreements, that the interest rates, and expenses are consistent with competitive market prices for such credit agreements.

For ratemaking purposes, the Commission reserves judgment on the reasonableness of PGE'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