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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4179

In the Matter of PORTLAND GENERAL)
ELECTRIC COMPANY's Application to Amend) SUPPLEMENTAL ORDER
Order No. 01-726.)

DISPOSITION: APPLICATION APPROVED;
ORDER NO. 01-726 AMENDED

On October 19, 2001, Portland General Electric Company (PGE) filed an application to amend Order No. 01-726. The basis for the current request is detailed in Staff's recommendation memo, attached as Appendix A. Staff's memo was corrected at the public meeting; the third line of the discussion section should refer to First mortgage bonds, not fixed mortgage bonds.

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 October 22, 2001, the Commission adopted Staff's revised recommendation and approved PGE's current request.

ORDER

IT IS ORDERED THAT the application of Portland General Electric Company to amend Order No. 01-726 is approved. Order No. 01-726 is hereby amended to include the new tables and spreads, as specified in Appendix A. All other terms and conditions of Order No. 01-726, 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

ITEM NO. A1

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

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

DATE: October 19, 2001

TO: Phil Nyegaard and Marc Hellman

FROM: Bryan Conway

SUBJECT: UF 4179—Portland General Electric Co.'s Application to Amend Order No. 01-726.

STAFF RECOMMENDATION:

I recommend that PGE's application be approved. Order No. 01-726 should be amended to include the new tables of spreads, attached herein. All other terms and conditions of Order No. 01-726 should remain in effect.

DISCUSSION:

On October 19, 2001, Portland General Electric Co. (PGE) filed an application to amend Order No. 01-726 dated August 14, 2001. That order granted PGE authority to issue and sell up to \$250,000,000 of fixed mortgage bonds (Bonds) and/or senior unsecured debt (Debt) subject to various conditions and reporting requirements. One of the conditions limited the Bonds' and Debt's fixed interest rate spreads (the difference between a Bond's or a Debt's all-in cost and a U.S. Treasury security yield) to a defined table of spreads.

PGE represents that the authorized fixed interest rate spreads in Order No. 01-726 have been too limiting in recent capital market conditions. The company believes that its authorized spreads must be increased by 30 to 40 basis points¹ to allow it sufficient access to the Bond and/or Debt markets.

PGE proposes a new table of spreads. That table of spreads is attached. PGE's requested amendment is reasonable due to unexpected changes in the capital markets.

PROPOSED MOTION:

I move that PGE's application, UF 4179, be approved. Order No. 01-726 should be amended to include the new tables of spreads, attached herein. All other terms and conditions of Order No. 01-726 remain in effect.

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 Yield²
3 years	4 years	+ 210 basis points
5 years	6 years	+ 220 basis points
7 years	8 years	+ 230 basis points
10 years	11 years	+ 260 basis points
30 years	31 years	+ 290 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
3 years	4 years	+ 230 basis points
5 years	6 years	+ 240 basis points
7 years	8 years	+ 250 basis points
10 years	11 years	+ 270 basis points
30 years	31 years	+ 310 basis points

¹ Basis point is defined as one-hundredth of a percentage point; i.e. 100 basis points equals 1 percent.

² 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