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**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UF 4192

In the Matter of	)	
	)	ORDER
PORTLAND GENERAL ELECTRIC	)	
	)	
Application seeking authority to issue one	)	
share of \$1 par Junior Preferred Stock	)	

**DISPOSITION: APPLICATION GRANTED; WITH CONDITIONS**

On August 26, 2002, the Public Utility Commission of Oregon (Commission) received an application from Portland General Electric Company (PGE), pursuant to ORS 757.410 and ORS 757.415, seeking authority to issue a single share of \$1.00 par value Junior Preferred Stock (Share).

At its Public Meeting on September 17, 2002, the Commission adopted Staff's recommendation to approve the issuance of the Share as proposed, with certain conditions. One of the conditions is that PGE submit final documentation consistent with the draft documents Staff had previously reviewed. Staff's recommendation is attached as Appendix A and is incorporated by reference. On September 25, 2002, PGE submitted additional documentation.

Based on a review of the application and the Commission's records, the Commission finds that the application satisfies the applicable statutes.

**FINDINGS OF FACT AND OPINION**

Under ORS 757.480, an electric utility doing business in Oregon shall first obtain Commission approval for any transaction to sell, lease, assign or otherwise dispose of property.

OAR 860-027-0025 specifies the information regarding applications for authority to sell, lease, assign, mortgage, merge, consolidate or otherwise dispose of property. This application contains the necessary information.

PGE plans to issue the Share in a private placement to an independent party. The Share will have a special voting right with respect to any voluntary action by PGE regarding bankruptcy. The purpose of the transaction is to prevent or limit PGE's ability to file for voluntary bankruptcy.

PGE represents that issuance of the Share will further insulate it from the effects of the Enron bankruptcy and help stabilize PGE's credit ratings, which are critical for its continued access to the capital markets. The token value of the transaction is not designed as a typical capital investment. Staff believes issuing the Share will help PGE maintain its financial integrity and access to capital markets.

After a complete review of all appropriate statutes and rules, the Commission concludes that, with supplemental information provided by PGE, all relevant issues have been properly addressed. The issuance of this order does not affect whatever statutory authority the Commission may have with respect to PGE's entering into voluntary bankruptcy.

### **ORDER**

IT IS ORDERED that the application of Portland General Electric Company requesting the authorization to issue and sell one share of \$1.00 par Junior Preferred Stock is granted, with the following conditions:

1. Portland General Electric will file the usual Report of Securities Issued and Disposition of Net Proceeds promptly after the sale.
2. Portland General Electric will provide final copies of:
  - a. the Board resolution authorizing the transaction;
  - b. a copy of the preferred share certificate; and
  - c. a copy of the agreement between the Purchaser and PGE.
3. Portland General Electric will seek Commission approval prior to future sales, trades or transfers of the Share; and will provide supplemental information at that time in a manner and form consistent with that which was provided in the review of the initial Purchaser in this docket.

4. If the final documentation provided under paragraph 2. is materially different than the documents provided on September 25, 2002, Portland General Electric shall seek supplemental approval of this application from the Commission.

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

BY THE COMMISSION:

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**Becky L. Beier**  
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: September 17, 2002**

**REGULAR**  **CONSENT**  **EFFECTIVE DATE** \_\_\_\_\_

**DATE:** September 11, 2002

**TO:** John Savage through Marc Hellman and Bryan Conway

**FROM:** Thomas D. Morgan

**SUBJECT:** PORTLAND GENERAL ELECTRIC: (Docket No. UF 4192) Application for authority to issue and sell one share of \$1.00 par Junior Preferred Stock.

**STAFF RECOMMENDATION:**

I recommend that the Commission approve Portland General Electric's (Company or PGE) application subject to the following conditions:

1. The Company will file the usual Report of Securities Issued and Disposition of Net Proceeds promptly after the sale.
2. The Company will provide final copies of:
  - a. the Board resolution authorizing the transaction;
  - b. a copy of the preferred share certificate
  - c. a copy of the agreement between the Purchaser and PGE
3. The Company will seek Commission approval prior to future sales, trades or transfers of the Share. PGE will provide supplemental information at that time in a manner and form consistent with that which was provided in the review of the initial Purchaser in this docket.

**DISCUSSION:**

On August 26, 2002, PGE filed an application, under ORS 757.410 and 757.415, seeking authority to issue a single share of \$1.00 par value Junior Preferred Stock (Share).

The token value of the transaction is not designed as a typical capital investment. After a complete review of all appropriate Statutes and Rules, Staff believes that, with the

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supplemental information provided by the Company pursuant to Staff's request, all relevant issues have been properly addressed.

PGE represents that the issuance of the Share will "further insulate" it from the effects of the Enron Corp. (Enron) bankruptcy. PGE represents that "such additional insulation will help stabilize the Company's credit ratings which are critical for the continued access to the capital markets."

The appropriateness of the issuance has been discussed with Standard and Poor's and it has confirmed that the terms outlined in the application are agreeable and will support PGE in maintaining "insulation" from the effects of the Enron bankruptcy. The primary impact of Commission approval would be strengthening of PGE's bond ratings which will likely lead to an eventual reduction in PGE's capital costs.

The Company plans to sell the Share in a private placement to an independent party on or about September 30, 2002. Details about the proposed purchasing company (Purchaser) are provided below. PGE represents that the intent of the transaction is to limit or prevent the Company from filing for voluntary bankruptcy. PGE also represents that the Company has worked closely with Standard and Poor's to develop a structure that Standard and Poor's believes is necessary to help avoid future downgrades of PGE's bond ratings.

According to the application, "the Share will have a special voting right with respect to any voluntary action by the Company regarding bankruptcy." Staff believes that the purpose of this filing is in the Company's and ratepayers' interests in that approval will help the Company maintain its financial integrity and access to the capital markets.

The Share will be issued as a new class or series of Junior Preferred Stock without stated maturity and PGE has represented that it does not plan to provide a stated dividend. In any case, they have agreed that, if a dividend is provided, it will not be at a rate greater than ten percent per annum. Since it will be issued in a private placement, it will not be required to be registered by the SEC. The Company has indicated that the expected fee to the Purchaser will be a one-time charge of \$5,000 and that there will be no other fees or charges incurred as a result of the issuance. Staff concludes that the fees and dividend rate appear reasonable given the value of the Share.

Because the Share is designed to provide effective control over whether the Company can be taken into bankruptcy, Staff believes the owner may exercise some limited influence over the policies at PGE. The decision-making right allocated to the Share effectively shifts bankruptcy control away from insiders or external lenders to the Purchaser. Due to this provision, Staff requested supplemental information to properly review the proposed purchaser or holder of the Share.

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The Company agreed to provide the supplemental information Staff requested. Specifically, the Company provided information on the Purchaser of the Share and relevant background of the key personnel. The Company also agreed to seek Commission approval for any sale or transfer of the Share from the initial Purchaser and will provide any relevant information as necessary and as requested by Staff.

PGE has selected GSS Holdings II, Inc., an independent entity with no current interest or exposure to either Enron or PGE. The Company's application stated the need for an independent entity to hold the share and, after reviewing the supplemental material, Staff is comfortable with the Company's selection. Staff also confirmed that Standard & Poor's is satisfied with the Company's selection.

PGE has indicated that it is still pursuing due diligence aspects of the deal and continues to draft the language of the agreement with the Purchaser.

**PROPOSED COMMISSION MOTION:**

Portland General Electric's application, UF 4192, be approved subject to Staff's proposed conditions.