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**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UF 4158

In the Matter of	)	
	)	
PORTLAND GENERAL ELECTRIC	)	
	)	ORDER
Application for Authority to Renew and	)	
Amend its Borrowing Agreement for Tax-	)	
Exempt Bonds.	)	

**DISPOSITION: APPLICATION APPROVED WITH CONDITIONS AND REPORTING REQUIREMENTS**

On February 27, 2003, Portland General Electric (PGE) filed an application with the Public Utility Commission (Commission) under ORS 757.415 and OAR 860-27-030, seeking approval of the renewal of and amendment to an outstanding credit authority. That authority was designed to refinance tax-exempt, pollution control revenue bonds (PCRBs) that were issued by the Port of Morrow (Oregon), the Port of St. Helens (Oregon), and the City of Forsyth (Montana). The outstanding bonds were placed for a period of five years and will come due on May 1, 2003, at which time PGE intends to re-market them.

In Order No. 98-194, the Commission gave PGE the authority to issue up to \$188.9 million in debt capacity. The company currently has bonds outstanding in the amount of \$142.4 million. Its application is not seeking any additional debt capacity above that granted in the previous Order. 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 March 31, 2003, the Commission adopted Staff's recommendation and approved PGE's current request.

**ORDER**

IT IS ORDERED:

- 1) The Public Utility Commission requires "call provision" if Portland General Electric issues long-term security.
- 2) That the application of Portland General Electric to renew and amend the authority granted by Commission Order No. 98-194 is approved with Staff's Conditions, as further specified in Appendix A.

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  
AMENDED STAFF REPORT  
PUBLIC MEETING DATE: March 31, 2003**

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

**DATE:** March 20, 2003

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

**FROM:** Thomas D. Morgan

**SUBJECT:** PORTLAND GENERAL ELECTRIC: (Docket No. UF 4158) Portland General Electric's Application for Authority to Renew and Amend its Borrowing Agreement for Tax-Exempt Bonds.

**STAFF RECOMMENDATION:**

The Commission should approve Portland General Electric's (PGE or Company) application to renew and amend the borrowing authority granted by Commission Order 98-194 subject to the following conditions and reporting requirements. All previous conditions remain in effect unless explicitly amended herein:

- 1) This authorization to issue Bonds will remain in effect as long as the Company maintains senior secured debt ratings of at least BBB-/Baa3 (i.e., "investment grade") from Standard & Poor's and Moody's Investors Service, Inc., respectively. Any outstanding Bonds issued under this authority will remain in effect until expiration of the underlying credit facility as described in this Memo.
- 2) PGE should file the usual Report of Securities Issued and Disposition of Net Proceeds statements as soon as possible after any issuance.
- 3) PGE shall provide three indicative quotes that clearly detail the interest rates that it would achieve were it marketing the securities under more normal market conditions in order for consideration in any future rate case.
- 4) For ratemaking purposes, the Commission reserves judgment on the reasonableness of the Company's capital costs, capital structure and the commissions and expenses incurred for security issuances. In its next rate proceeding, the Company will be required to show that its capital costs and structure are just and reasonable

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**DISCUSSION:**

On February 27, 2003, PGE filed an application with the Commission to approve the renewal of and amendment to an outstanding credit authority. That authority was granted pursuant to Oregon Revised Statute (ORS) 757.415 and Oregon Administrative Rule 860-27-030 and was designed to refinance tax-exempt, pollution control revenue bonds (PCRBs) that were issued by the Port of Morrow (Oregon) and the Port of St. Helens (Oregon and the City of Forsyth (Montana).

The outstanding bonds were placed for a period of five years and will come due on May 1, 2003 at which time PGE intends to re-market them.

Order 98-194 gave the Company authority to issue up to \$188.9 million in debt capacity. It currently has Bonds outstanding in the amount of \$142.4 million. Its application is not seeking any additional debt capacity above that granted in the previous Order.

In this application, the Company is seeking two key revisions:

- 1) First Mortgage Bonds (FMBs) will be issued under the Company's existing Mortgage and Deed of Trust and issued additional collateral. The FMBs provided as security pursuant to the approval of this application will allow the Company, in effect, to issue additional security granting rights consistent with senior secured long-term debt. In the event of default, the senior claim provided to the PCRBs creates increased recovery potential for the issuers.
- 2) The ceiling on the fixed interest rate approved in the previous order be increased pursuant to the following table, **Term Mode Alternatives**, or (TMA):

<u>Term</u>	<u>Rate</u>
2-years	6.25%
3 years	6.50%
4 years	7.00%
5 years	7.25%
6 years	7.60%
7 years	7.85%
10 years	8.35%
30 years	10.25%

The TMA table reflects interest rates that are considerably higher than might be otherwise granted to the Company under more normal conditions. The Company has indicated that it is leaning toward a 6-year "reset" and that the interest rates will likely be

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substantially below those provided in the TMA table. The Company represents that the revisions of the authority being sought in its application are due to the financial pressures placed on PGE as a result of Enron's bankruptcy proceedings. Even though PGE clearly has a need to re-market this debt, longer-term placements at or near the ceiling rates provided in the TMA table do not appear prudent. An appropriate call provision may mitigate some of Staff's concerns.

The Company is not seeking any change to the fees or expenses associated with the prior authority.

Based on Staff's review, approval of PGE's application with the proposed conditions will provide continued access to the capital markets and is therefore in the public interest.

**PROPOSED COMMISSION MOTION:**

PGE's application to renew and amend the authority granted by Commission Order 98-94<sup>1</sup> is approved with Staff's Conditions.

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<sup>1</sup> During his presentation, Mr. Morgan corrected the Proposed Commission Motion to read as follows: "PGE's application to renew and amend the authority granted by Commission *Order 98-194* is approved with Staff's Conditions." This correction reflects a change in the Order referenced.