

This is an electronic copy. Format and font may vary from the official version. Attachments may not appear.

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4199

In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC)	ORDER
)	
Application seeking authority to issue and sell)	
not more than \$200 million of First Mortgage)	
Bonds.)	

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

On June 6, 2003, Portland General Electric (PGE) filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.410, ORS 757.415, and OAR 860-027-0030¹ for the authority to issue and sell not more than \$200 million of first mortgage bonds (FMBs).

The FMBs will have maturities ranging from five to thirty years, and will generally be sold through an underwriting process or through agents under a Medium Term Notes (MTN) program. The interest rates will be fixed. The all-in interest rate will not exceed US Treasury rates plus a spread. The proposed spreads depend on a FMB's maturity and are attached as Table 1 to Appendix A. 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 July 1, 2003, the Commission adopted Staff's recommendation and approved PGE's current request.

¹ Staff report (Appendix A attached) reads 860-27-0030; the correct cite is 860-027-0030.

ORDER

IT IS ORDERED that the application of Portland General Electric to issue not more than \$200 million of First Mortgage Bonds is approved, subject to the following conditions and reporting requirements:

1. Portland General Electric shall file the usual Report of Securities issued and Disposition of Net Proceeds statement as soon as possible after any issuance. Upon each issuance of Securities, Portland General Electric shall file documentation with the Commission providing a specific description of the terms and conditions of each issuance of the Securities.
2. Portland General Electric shall demonstrate that the rate(s) it achieves is consistent with market rates or otherwise demonstrate that the rate(s) it achieves is competitive. The demonstrations should be filed as soon as possible after each issuance and sale and will include a demonstration that fees for partial issuances are reasonable.
3. Portland General Electric shall demonstrate that any early refunding or the exercise of any call provision or required sinking fund placed on the issuance is cost-effective.
4. The authorization shall remain in effect as long as Portland General Electric maintains debt ratings of at least BBB-/Baa3 (i.e., "investment-grade") from Standard & Poor's and Moody's Investors' Service, Inc., respectively on any debt security type it intends to market, e.g., senior secured versus unsecured.
5. For ratemaking purposes, the Commission will reserve judgment on the reasonableness of Portland General Electric's capital costs, capital structure and the commissions and expenses incurred for security issuances. In its next rate proceeding, Portland General Electric will be required to show that its capital costs, including imbedded expenses, and structure are just and reasonable.
6. If any agents or underwriters are involved in the sale of the Bonds, the names of such, the initial price to the public, any applicable commissions or discounts and the net proceeds to Portland General Electric shall be filed with the Commission. If the Debt is sold to an agent or agents as principal, the name of the agents, the price

paid by the agents, any applicable commission or discount paid by Portland General Electric to the agents and the net proceeds to Portland General Electric will be filed with the Commission.

Made, entered and effective _____.

BY THE COMMISSION:

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: July 1, 2003**

REGULAR X CONSENT _____ EFFECTIVE DATE _____

DATE: June 24, 2003

TO: John Savage through Marc Hellman and Bryan Conway

FROM: Ming Peng

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UF 4199) Application for authority to issue and sell not more than \$200 million of First Mortgage Bonds.

STAFF RECOMMENDATION:

The Commission should approve Portland General Electric's (PGE or Company) application to issue not more than \$200 million of First Mortgage Bonds (FMBs), subject to the following conditions and reporting requirements:

- 1) The Company shall file the usual Report of Securities Issued and Disposition of Net Proceeds statement as soon as possible after any issuance. Upon each issuance of Securities, the Company shall file documentation with the Commission providing a specific description of the terms and conditions of each issuance of the Securities.
- 2) The Company shall demonstrate that the rate(s) it achieves on new securities is consistent with market rates or otherwise demonstrate that the rate(s) it achieves is competitive. The demonstrations should be filed as soon as possible after each issuance and sale and will include a demonstration that fees for partial issuances are reasonable.
- 3) The Company shall demonstrate that any early refunding or the exercise of any call provision or required sinking fund placed on the issuance is cost-effective.
- 4) The authorization shall remain in effect as long as the Company maintains debt ratings of at least BBB-/Baa3 (i.e., "investment-grade") from Standard & Poor's and Moody's Investors' Service, Inc., respectively on any debt security type it intends to market, e.g., senior secured versus unsecured.
- 5) For ratemaking purposes, the Commission will reserve 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, including imbedded expenses, and structure are just and reasonable.

- 6) If any agents or underwriters are involved in the sale of the Bonds, the names of such, the initial price to the public, any applicable commissions or discounts and the net proceeds to the Company shall be filed with the Commission. If the Debt is sold to an agent or agents as principal, the name of the agents, the price paid by the agents, any applicable commission or discount paid by the Company to the agents and the net proceeds to the Company will be filed with the Commission.

DISCUSSION:

On June 6, 2003, PGE filed an application pursuant to Oregon Revised Statutes (ORS) 757.410 & 757.415, and Oregon Administrative Rule 860-27-0030 for authority to issue and sell not more than \$200 million of first mortgage bonds (FMBs).

FMBs

The FMBs will have maturities ranging from five to thirty years, and will generally be sold through an underwriting process or through agents under a Medium Term Notes (MTN) program. The interest rates will be fixed. The all-in interest rate² will not exceed US Treasury rates plus a spread³. The proposed spreads depend on a FMB's maturity and are attached as Table 1.

MTNs

The MTNs will be secured and have maturities ranging from five years to thirty years. The all-in interest rates will be determined at the time of issuance and will be fixed. The fixed interest rate will not exceed US Treasury rates plus a spread. The proposed spreads depend on an MTN's maturity and are attached as Table 1.

Use of Proceeds

- 7) PGE will use the proceeds of any issuance under this authority 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 (1)(a), (1)(b), (1)(c), (1)(d), or (1)(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), (1)(b) or (1)(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), (1)(b) or (1)(e), or for the purposes described in ORS 757.415 (1)(a), (1)(b) or (1)(e) directly.

APPENDIX A
PAGE 2 OF 4

² The all-in interest rate includes the coupon and the appropriate fees or commissions, but it does not include other expenses of issue.

³ PGE's proposed all-in rate spreads in Table 1 appear just and reasonable, but they are higher than the all-in spreads suggested by U.S. Treasury and LIBOR Rates (Lehman Brothers, May 13, 2003) and might be reviewed by Staff in any future filing.

Expenses

PGE expects to issue MTNs or FMBs (Debt) from time to time in amounts not to exceed \$200 million in aggregate. The maturities of the various series are expected to be from 5 to 30 years. PGE projects the fee paid to the underwriters/agents as compensation will be the usual and customary amount prevailing for such sales and will not exceed 1% of the aggregate principal amount of the Debt. Total issuance cost will be about 1.13% of the aggregate principal amount of the Debt. I recommend a reporting requirement to help ensure that underwritten FMBs are sold at market rates.

PGE's application also indicates that the Debt may be issued as public offerings or on a private placement basis. I recommend a reporting requirement to help ensure that any private placements are sold at market interest rates.

I am also concerned that any early refunding be cost-effective. This concern is addressed in reporting requirement No. 3. Additionally, PGE represents that the Unamortized Loss on Reacquired Debt (FERC 189) consists of the remaining balance of issuance expenses of the refunded debt, plus any call premiums, and PGE plans to amortize the Amortization of Loss on Reacquired Debt (FERC 428.1) over the life of the new bonds. Any demonstrations under reporting requirement No. 3 will include these costs.

PROPOSED COMMISSION MOTION:

Portland General Electric's application, UF 4199, should be approved subject to Staff's conditions and reporting requirements.

UF 4199

Table 1
PGE Summary for FMB/MTN All-in Fixed-Rate Spreads over US Treasury
(Assumes Senior Secured Debt Ratings of Baa2/BBB+)

Greater Than or Equal To	Less Than	Maximum Spread Over Benchmark Treasury Yield ⁴
5 years	9 years	+ 200 basis points ⁵
10 years	14 years	+220 basis points
15 years	19 years	+240 basis points
20 years	29 years	+260 basis points
30 years or more		+270 basis points

APPENDIX A
PAGE 4 OF 4

⁴ The Benchmark Treasury Yield, with respect to any maturity range, means the yield to maturity of that issue of direct obligations of the United States.

⁵ Basis point is defined as one-hundredth of a percentage point; i.e., a 100 basis point equals 1 percent.