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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4206

In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC)	ORDER
)	
Application for Authority to Issue Debt)	
Pursuant to Revolving Credit Facilities.)	

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

On April 6, 2004, Portland General Electric (PGE) submitted an application to the Public Utility Commission of Oregon (Commission), requesting authority to borrow not more than \$150,000,000 under two separate revolving credit agreements. 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 May 4, 2004, the Commission adopted Staff's recommendation and approved PGE's current request.

ORDER

IT IS ORDERED THAT the application of Portland General Electric for authorization to enter into two revolving credit agreements is granted, subject to conditions and reporting requirements, as specified in Appendix A.

Made, entered and effective _____.

BY THE COMMISSION:

Becky 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.

ITEM NO. CA 4

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 4, 2004**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ **N/A** _____

DATE: April 23, 2004

TO: Lee Sparling through Marc Hellman and Bryan Conway

FROM: Ming Peng

SUBJECT: PORTLAND GENERAL ELECTRIC COMPANY: (Docket No. UF 4206)
Application for Authority to Enter into Two Revolving Credit Agreements.

STAFF RECOMMENDATION:

The Commission should approve Portland General Electric Company's (PGE or Company) application subject to the following conditions and reporting requirements:

1. The Company shall annually report the costs incurred for the debt facility as well as any borrowings under the facility including their interest rates.
2. Rates and fees shall be no greater than those identified in the application.
3. The Commission reserves judgment on the reasonableness for ratemaking purposes 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 embedded expenses, and capital structure are just and reasonable.

DISCUSSION:

On April 6, 2004, PGE filed an application under Oregon Revised Statute (ORS) 757.415, and Oregon Administrative Rules (OAR) 860-027-0030 for authority to borrow not more than \$150,000,000 under two separate revolving credit agreements.

PGE currently has a \$150 million, 364-day revolving credit facility that expires May 27, 2004. This facility is currently secured by a pledge of PGE's first mortgage bonds that will be redeemed when the underlying credit facility expires or is terminated. PGE is preparing to replace the expiring credit facility with a new three-year, \$100 million facility and a 364-day, \$50 million facility ("the Credit Agreements"). The

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364-day facility is expected to contain a "term out" option that would allow PGE to extend the final maturity for up to one additional year. Both new facilities are expected to be unsecured. PGE expects to issue individual notes to each bank in the Credit Agreements for amounts equal to their dollar commitments.

PGE represents that the Company will have the ability to issue letters of credit¹ under both the facilities. Total letters of credit outstanding at any time combined with any loans outstanding at the same time under each of the Credit Agreements cannot exceed the total size of the respective Credit Agreement.

Use of Proceeds

The purposes for which securities are proposed to be issued in this matter are 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) through (e), or the reimbursement of the Company treasury for funds used for the foregoing purposes, except the maintenance of service and replacements. The proceeds are reasonably required.

Expenses

PGE has selected Banc One Capital Markets to act as its syndication agent for this transaction. PGE expects that total issuance expense will not exceed \$775,000 (not including facility fees) that includes (1) An initial Commitment amount of \$525,000 (0.35% of \$150 million), (2) A one-time syndication agent fee of \$175,000, and (3) An annual agent fee of \$25,000.

PGE has the option to borrow under each of the Credit Agreements either at a Eurodollar based rate, a base rate, or at a competitive bid rate. The base rate would be at the higher of the prime rate or the federal funds rate plus .50%, plus the applicable margin. The applicable margins for base rate and Eurodollar based loans are predicated upon PGE's credit ratings at the time of the loan. The rating levels are based upon PGE's unsecured debt ratings by Moody's and Standard & Poor's. PGE will also pay an annual "facility fee" for each Credit Agreement based on the Company's unsecured credit rating. The fees, expenses, and interest rate options are reasonable.

PROPOSED COMMISSION MOTION:

PGE's application for the authority to enter into two revolving credit agreements be approved with Staff's conditions.

UF 4206 –PGE's Application for Authority to Enter into Two Revolving Credit Agreements.

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¹ Letter of credit: A letter of credit is a document issued by a bank stating a commitment for a stated amount of money on behalf of a company, subject to specific terms and conditions.