

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4222

In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC)	ORDER
)	
Requests Authority to Pay Principal, Interest)	
and Related Costs on Securities Issued by)	
the City of Portland.)	

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

On October 20, 2005, Portland General Electric (PGE) filed an application with the Public Utility Commission of Oregon (Commission) for the authority to pay principal, interest and related costs on securities issued by the City of Portland (City) to refund the currently outstanding bonds issued by the City to finance the City's Bull Run Hydro Project (Project), pursuant to ORS 757.440, and OAR 860-027-0035.

PGE has a take-or-pay contract with the City for the total output of the two units at the Bull Run Hydro Project. Under the terms of the Power Sales Agreement, PGE is required to make certain payments to the City related to the Project, including administration charges, insurance costs, water quality testing, and 100% of the debt service for the revenue bonds issued by the City to finance the project. PGE represents that the purpose of this refunding is to lower the debt service on the existing bonds. Additionally, the City will issue new taxable bonds for a similar term as the existing bonds in early December 2005. PGE represents that the refinancing of the current bonds will result in savings in debt service costs, and will reduce expenditures under the Power Sales Agreement. These purposes are permitted by ORS 757.415(1). The basis for the current request is further detailed in Staff's recommendation memo, attached as Appendix A and incorporated by reference.

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 November 8, 2005, the Commission adopted Staff's recommendation and approved PGE's current request.

ORDER

IT IS ORDERED that Portland General Electric's application for authority to pay principal, interest and related costs on securities issued by the City of Portland is approved, subject to the conditions and reporting requirements detailed in Appendix A.

Made, entered, and effective NOV 6 9 2005.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.

ITEM NO. CA1

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 8, 2005

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A

DATE: October 31, 2005

TO: Public Utility Commission

FROM: Ming Peng *mp.*
is *H* *AK*

THROUGH: Lee Sparling, Marc Hellman, and Bryan Conway

SUBJECT: PORTLAND GENERAL ELECTRIC COMPANY: (Docket No. UF 4222)
Requests Authority to Pay Principal, Interest and Related Costs on
Securities Issued by the City of Portland.

STAFF RECOMMENDATION:

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

- 1) The Company shall file the usual Report of financial amendment to the Power Sales Agreement and the applicable Trust Indenture entered into in connection with the proposed transaction.
- 2) The Company shall report, within 30 days, any changes in the debt service of the payment obligations to the City of Portland (the City) associated with the City's Bull Run Hydro Project (Project).
- 3) Except as specifically modified herein, all previous conditions in Order Nos. 79-354, 80-660, and 93-1154, shall remain in effect.
- 4) 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.

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DISCUSSION:

On October 20, 2005, PGE filed an application pursuant to Oregon Revised Statutes (ORS) 757.440, and Oregon Administrative Rule (OAR) 860-27-0035 for authority to pay principal, interest and related costs on securities issued by the City to refund the currently outstanding bonds issued by the City to finance the City's Project.

PGE has a take-or-pay contract with the City for the total output (37.5 MW) of the City's Project. The contract ends August 31, 2017. Under the terms of the Power Sales Agreement, PGE is required to make certain payments to the City related to the Project which includes administration charges, insurance costs, water quality testing, and 100% of the debt service for the revenue bonds issued by the City to finance the project. The Existing Bonds have a fixed interest rate of 7%, a maturity of 2016 and are callable at par.

History

On May 15, 1979, Commission Order No. 79-354 authorized PGE to enter into a Power Sales Agreement with the City under which PGE pays the principal and interest obligation and other costs associated with \$38,000,000 principal amount of tax-exempt revenue bonds. The 1979 Bonds were issued by the City to fund the construction of two powerhouses at the City's Bull Run Reservoirs.

On September 4, 1980, Commission Order No. 80-660 granted PGE the authority to make a commitment to pay debt service and other costs associated with the issuance of \$17,000,000 principal amount (due October 1, 2010) of additional bonds.

On August 19, 1993, PGE was authorized under the Commission Order No. 93-1154 to assume debt service and other costs associated with \$10,131,933 in taxable bonds issued by the City, the proceeds of which refunded a portion of the previously issued bonds.

Purpose of Refunding

PGE represents that the purpose of this refunding is to lower the debt service on the existing bonds. The City will issue new taxable bonds for a similar term as the existing bonds in early December 2005, in an amount necessary to refund the existing 1993 bonds (\$2 million outstanding) and the Series A 1979 bonds (\$20 million outstanding). PGE pays the City for debt service on the bonds under the Bull Run Power Sales Agreement with the City. The City of Portland has selected the Goldman Sachs Group, Inc. as its financial advisor for the issue of the Bonds. The proceeds of the new bonds will be used to redeem all existing bonds. These purposes are permitted by ORS 757.415(1). The proceeds are reasonably required.

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Cost Reduction

PGE represents that the refinancing of the current bonds will result in savings in debt service costs and will reduce expenditures under the Power Sales Agreement. PGE anticipates that the total debt service PGE pays to the City for revenue bonds would be reduced by approximately \$200,000 per year. The City and PGE expect that the new taxable bonds will have a coupon rate of 5.5-5.75%, compared to the current coupon rate of 7%, thereby reducing the annual interest cost and also the cost of payments under the Power Sales Agreement. The lower debt service translates to a lower cost for power from the project which is passed on to customers through the Resource Valuation Mechanism.

PROPOSED COMMISSION MOTION:

PGE's application for the authority to pay principal, interest and related costs on securities issued by the City of Portland be approved with staff's conditions.

UF 4222 – PGE Requests Authority to Pay Principal, Interest and Related Costs on Securities Issued by the City of Portland.