ORDER NO. 05-710

ENTERED 05/20/05

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4216

In the Matter of	)	
	)	
PORTLAND GENERAL ELECTRIC	)	ORDER
	)	
Application requesting authority to enter into a revolving credit agreement.	))	

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS AND REPORTING REQUIREMENTS

On April 21, 2005, Portland General Electric (PGE) filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.415 for the authority to enter into a five-year revolving credit agreement with a group of commercial banks for up to $400 million.

PGE currently has a $50 million 364-day revolving credit facility that expires on May 23, 2005, and a three-year $100 million facility that expires on May 24, 2007. The current request will replace both of those facilities. The proceeds from the credit will be used to fund PGE's construction budget or improvement of utility facilities and service, to discharge its obligations, and to reimburse its treasury for funds expended on utility purposes. 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 May 17, 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 enter into a five-year revolving credit agreement with a group of commercial banks for up to $400 million is approved, subject to the conditions and reporting requirements detailed in Appendix A.

Made, entered, and effective MAY 20 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.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 17, 2005

REGULAR __X__ **CONSENT** ____ **EFFECTIVE DATE** ______N/A______

DATE: May 10, 2005

TO: Public Utility Commission

FROM: Ming Peng

THROUGH: Lee Sparling, Marc Hellman, and Bryan Conway

SUBJECT: PORTLAND GENERAL ELECTRIC COMPANY: (Docket No. UF 4216) Application for Authority to Enter into A Revolving Credit Agreement.

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 file the usual Report of Securities Issued and Disposition of Net Proceeds statements as soon as possible after any issuance. This report shall demonstrate, upon any replacement, renewal, or extension of such credit agreements, that the fees, interest rates, and expenses are consistent with competitive market prices for such agreements.

2) Rates and fees shall be no greater than those identified in the application.

3) The Company shall file a report with the Commission no less frequently than once a quarter that includes the outstanding balances of revolving credit under the new facility and the outstanding letters of credit issued under the Credit Agreements, as long as this credit facility remains 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. In its next rate proceeding, the Company will be required to show that its capital costs, including imbedded expenses and capital structure are just and reasonable. Approval of this application, and the conditions herein, by the Commission

does not constitute a precedent or finding as to whether any or all of this revolving credit shall be treated as long-term debt for purposes of the 48% minimum capital requirement pursuant to Order No. 97-196.

DISCUSSION:

On March 30, 2004, PGE filed an application under Oregon Revised Statute (ORS) 757.415 for authority to borrow not more than $150 million under two separate revolving credit agreements. On May 11, 2004, the Commission issued Order No. 04-247, in Docket UF 4206, granting the Company's request.

On April 21, 2005, PGE filed an application under Oregon Revised Statute (ORS) 757.415 for authority to enter into a five-year revolving credit agreement with a group of commercial banks for up to $400 million.

PGE currently has a $50 million 364-day revolving credit facility[1] that expires on May 23, 2005. In addition, the Company has a 3-year $100 million facility that expires on May 24, 2007. The Company is preparing to replace the expiring 364-day credit facility and terminate the 3-year facility and replace both with a new $400 million 5-year facility. The new facility is expected to be unsecured. PGE expects to issue individual notes to each bank in the new facility in amounts equal to their respective dollar commitments.

The new facility will allow PGE to borrow at its option for minimum amounts of $1 million up to the total amount of the facility. The Company could repay loans and re-borrow from the banks under the new facility, so long as the total outstanding amount of all borrowings at any one time does not exceed the size of the new facility. PGE represents that that Company will also have the ability to issue letters of credit[2] under the facility. Total letters of credit issued combined with any loans under the facility cannot exceed the total size of facility.

Use of Proceeds
PGE represents that the proposed facility is a typical type of credit facility that most utilities utilize for maintaining daily liquidity. The Company expects minimal borrowings under the agreements and anticipates using the facilities primarily as a backstop for its commercial paper program.

[1] Revolving credit facility: Enabling a firm to borrow up to a pre-specified amount, usually over 1-5 years. As repayments of outstanding balances are made, the loan facility is replenished.
[2] 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.

These purposes are consistent with statutory requirements. The proceeds from the credit lines will be used to fund PGE's construction budget or improvement of utility facilities and service, to discharge its obligations, and to reimburse its treasury for funds expended on utility purposes. These purposes are permitted by ORS 757.415(1). The proceeds are reasonably required.

Expenses
PGE has selected J.P. Morgan Securities Inc. to act as its syndication agent for this transaction. PGE expects that total issuance expense will not exceed $600,000 that includes up-front, syndication, legal and agent fees.

PGE anticipates that the new facility will require the Company to pay a fronting fee equal to 0.125% of the face amount of any letters of credit issued under the facility. In addition, the Company will pay a letter of credit fee quarterly in arrears on any outstanding letters of credit issued under either of the Credit Agreements (see Attachment A).

The Company expects to have the option to borrow under the new facility at either a Eurodollar based rate, a base rate, or at a competitive bid rate. The Eurodollar based rate will be the existing Eurodollar rate at the time of any loan plus the applicable margin. The fees, expenses, and interest rate options appear reasonable.

PROPOSED COMMISSION MOTION:

PGE's application for the authority to enter into a revolving credit agreement be approved with staff's conditions.

UF 4216 –PGE's Application for Authority to Enter into A Revolving Credit Agreement.

Attachment A

The base rate would be at the higher of the prime rate or the federal funds rate plus 0.50%. The applicable margins for Eurodollar based loans are predicated upon PGE's credit ratings at the time of the loan. The rating levels are based upon the Company's unsecured debt ratings by Moody's and Standard & Poor's. In the event that PGE's ratings are split[3], the higher rating would apply unless there is more than a one-notch difference[4] in the two ratings in which case the lower rating would apply.

Listed below is the matrix which sets forth the proposed maximum margins and facility fees anticipated under the new 5-Year facility, PGE is at Level III.

Applicable Margin	**Level I Status A-/A3**	**Level II Status BBB+/Baa1**	**Level III Status BBB/Baa2**	**Level IV Status BBB-/Baa3**	**Level V Status < BBB-/Baa3**
Eurodollar Rate	0.50%	0.70%	0.90%	1.00%	1.25%
Base Rate	0.00%	0.00%	0.00%	0.00%	0.50%

Applicable Fee Rate	**Level I Status**	**Level II Status**	**Level III Status**	**Level IV Status**	**Level V Status**
Facility Fee	0.13%	0.15%	0.18%	0.25%	0.30%

The proposed maximum letter of credit fee will also be based on the Company's unsecured ratings as set forth below:

Letter of credit Fee	**Level I Status**	**Level II Status**	**Level III Status**	**Level IV Status**	**Level V Status**
Fee	0.65%	0.80%	0.90%	1.00%	1.25%

[3] Split rating: Two different ratings given to the same security by two important rating agencies.

[4] Examples for one-notch difference on credit rating: one-notch down from Baa1 to Baa2, or one-notch up from BBB to BBB+.