

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UF 4226

| | | |
|------------------------------------|---|-------|
| In the Matter of |) | |
| |) | |
| PORTLAND GENERAL ELECTRIC |) | ORDER |
| COMPANY |) | |
| |) | |
| Application for Authority to Issue |) | |
| 4,687,500 Shares of Common Stock. |) | |

DISPOSITION: APPLICATION APPROVED WITH CONDITION

On April 24, 2006, Portland General Electric Company (PGE or Company), filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.410, ORS 757.415, and OAR 860-027-0030 for authority to issue up to 4,687,500 shares of common stock under its 2006 Stock Incentive Plan (Plan). The Plan is part of the Company's overall compensation package and is intended to provide incentives to attract, retain, and motivate officers, directors, and key employees of the Company. The basis for the current request is detailed in Staff's Report, 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 June 27, 2006, the Commission adopted Staff's recommendation and approved PGE's current request with one condition.

ORDER

IT IS ORDERED that:

- 1) The application of Portland General Electric Company for the authority to issue and sell up to 4,687,500 shares of common stock is approved.

- 2) In its next rate proceeding, Portland General Electric Company is required to show that its capitalization structure and capital costs, including imbedded expenses, are just and reasonable.

Made, entered, and effective JUL 05 2006.

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 by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. CA13

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 27, 2006

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: June 6, 2006

TO: Public Utility Commission

FROM: Thomas D. Morgan *TD*

THROUGH: *li* Lee Sparling, *mt by pte* Marc Hellman, and *BC* Bryan Conway

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UF 4226) Application for authority to issue 4,687,500 shares of Common Stock.

STAFF RECOMMENDATION:

The Commission should approve Portland General Electric's (PGE or Company) application to issue 4,687,500 shares of common equity, subject to the following condition:

- 1) For ratemaking purposes, the Commission will reserve judgment on the reasonableness of the Company's capitalization structure and all expenses incurred for security issuances. In its next rate proceeding, the Company will be required to show that its capitalization structure and capital costs, including imbedded expenses, are just and reasonable.

DISCUSSION:

On April 24, 2006, PGE filed an application pursuant to Oregon Revised Statutes (ORS) 757.410 & 757.415, and Oregon Administrative Rule (OAR) 860-027-0030 for authority to issue 4,687,500 shares of common stock under its 2006 Stock Incentive Plan (Plan). The Plan is part of the Company's overall compensation package and is intended to provide incentives to attract, retain and motivate officers, directors and key employees of the Company.

The Plan will be administered by the Compensation Committee appointed by the Company's Board of Directors.

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The issuance of stock under the Plan would bring no cash proceeds to the Company, because the issuance would be part of the Company's compensation program.

Expenses:

PGE indicates that there will be no compensation to any underwriter, bank or agent for services in connection with the issuance of the common stock proposed in this application. The only fees would be those for the Company's registrar and transfer agent and other customary fees associated with record-keeping under the Plan.

Impact on Capital Structure and Customer Rates:

The overall compensation of Company Directors and executives is considered as part of a ratemaking proceeding. Therefore, authorization of the share issuance for use as part of the overall compensation program would not have a direct impact on customer rates.

Additionally, because the issuance of shares replaces the payment of cash, the company's capital structure would not be impacted, since the expensing of shares would directly offset the value of new shares issued.

PROPOSED COMMISSION MOTION:

Portland General Electric's application, UF 4226, be approved subject to Staff's conditions and reporting requirements.

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Table 1
PGE Summary for FMB/MTN Maximum Spreads over US Treasury
(Assumes Senior Secured Debt Ratings of Baa1/BBB+)

| <u>Greater Than or Equal To</u> | <u>Equal to or Less Than</u> | <u>Maximum Spread Over Benchmark Treasury Yield</u> |
|-------------------------------------|----------------------------------|---|
| 3 years | 9 years | +120 basis points |
| 10 years | 14 years | +130 basis points |
| 15 years | 19 years | +140 basis points |
| 20 years | 24 years | +150 basis points |
| 25 years | 30 years | +160 basis points |

Table 2
**PGE Estimated Bonds Purchase, Expenses and Net
 Proceeds to the Company Resulting From the Sale**

| Item | Debt | |
|---|---------------|-----------|
| | Amount | Per \$100 |
| 1. Face value or principal amount | \$275,000,000 | \$100.00 |
| 2. Plus premium or less discount | | |
| 3. Gross proceeds | \$275,000,000 | \$100.00 |
| 4. Underwriters' spread or commission -0.65% | 2,750,000 | |
| 5. Securities and Exchange Commission registration fee | - | |
| 6. Printing and engraving expenses | 30,000 | |
| 7. Trustee's charges | 30,000 | |
| 8. Fees and expenses of independent public accountants | 25,000 | |
| 9. Rating agency fees | 60,000 | |
| 10. Blue Sky fees | 50,000 | |
| 11. Miscellaneous expenses | 75,000 | |
| 12. Total deductions | \$3,020,000 | 1.10% |
| 13. Estimated net amount to be realized | \$271,980,000 | \$98.90 |