

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UF 4241

In the Matter of	)	
	)	
PORTLAND GENERAL ELECTRIC	)	ORDER
COMPANY	)	
	)	
Application for authority to issue and sell	)	
not more than \$75 million of First	)	
Mortgage Bonds.	)	

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

On July 17, 2007, Portland General Electric Company (PGE) filed an application, with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.410, ORS 757.415 and OAR 860-027-030, for authority to issue up to \$75 million of First Mortgage Bonds (Bonds).

The Bonds would be issued in one or more transactions, as conditions permit. The Bonds would have a maturity of up to 35 years and would be issued under PGE’s First Mortgage Indenture. The Bonds may have a sinking fund provision and may have a feature that allows for early redemption. The Bonds may be wrapped by an insurance policy purchased by PGE that would lower the all-in cost of the Bonds.

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), or the reimbursement of PGE’s treasury for funds used for the foregoing purposes, except the maintenance of service and replacements. 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).

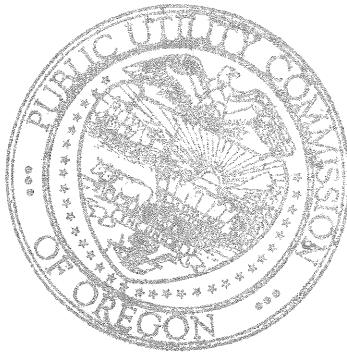
Based on a review of the application and the Commission’s records, the Commission finds that this application satisfies applicable statutes and administrative rules. At its public meeting on August 7, 2007, the Commission adopted Staff’s recommendation and approved PGE's current request, with the conditions and reporting requirements incorporated as Appendix A.

**ORDER**

IT IS ORDERED that the application of Portland General Electric Company for the authority to issue and sell not more than \$75 million of First Mortgage Bonds is approved, subject to the conditions and reporting requirements specified in Appendix A.

Made, entered, and effective           AUG 07 2007          .

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.

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: August 7, 2007

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE \_\_\_\_\_ N/A \_\_\_\_\_

DATE: July 31, 2007

TO: Public Utility Commission

FROM: Ming Peng *mp.*  
*in* *H* *BL*

THROUGH: Lee Sparling, Marc Hellman, and Bryan Conway

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UF 4241) Application for authority to issue and sell not more than \$75 million of First Mortgage Bonds.

**STAFF RECOMMENDATION:**

I recommend that the Public Utility Commission of Oregon (Commission) approve Portland General Electric's (PGE or Company) request to issue and sell not more than \$75 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

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- 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.

#### **DISCUSSION:**

On July 17, 2007, 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 up to \$75 million of its First Mortgage Bonds (Bonds).

PGE represents the transaction set forth in this application will produce the lowest cost of funds for a similar maturity currently available to the Company for borrowing. The Company will issue Bonds under the Company's existing Indenture of Mortgage and Deed of Trust (First Mortgage Indenture).

The Bonds would be issued in one or more transactions as conditions permit. The Bonds would have a maturity of up to 35 years and would be issued under the Company's First Mortgage Indenture. The Bonds may have a sinking fund provision and may have a feature that allows for early redemption. The Bonds may be wrapped by an insurance policy purchased by the Company that would lower the all-in cost of the Bonds.

The \$75 million Bonds will be used to fund new capital expenditures or to repay existing debt. PGE expects that after it issues this \$75 million, the Company's capital structure will be close to the Company's stated goal of a 50/50 Debt/Equity ratio. While this stated goal includes debt from all sources, PGE represents that the current effect of including short-term debt has almost no impact on this ratio.

#### **PGE's Bond Ratings**

PGE's outstanding First Mortgage Bonds are currently rated Baa1 by Moody's and BBB+ by Standard & Poor's. The Company may apply for a rating on Bonds issued.

#### **Interest Rate**

PGE represents that the interest rate on the Bonds will be fixed and set on the pricing date. PGE will enter into a purchase agreement a few days after pricing to confirm the pricing and establish other terms and conditions. The purchase agreement commits the purchaser to buy and PGE to sell at the agreed upon pricing and terms. The Company expects the purchase agreement to have a "no cost" delayed settlement feature which

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will allow PGE to close and fund the bonds within six months of the date of the purchase agreement at no additional cost.

The maximum spread over the applicable Treasury securities for various maturities is listed in Table 1 for the Bonds. The Bonds may have a feature which allows them to be redeemed prior to maturity at specified prices.

### **Expense**

Table 2 provides the estimated total amount of the Bonds to the ultimate purchaser(s) and expenses and net proceeds to the Company resulting from the sale. Total issuance cost will either be 1.07% (Issue bond through private placement) or 1.41% (Wrapped: Insured Bonds issued directly to a commercial bank) of the total amount of \$75 million. PGE represents that it will select the most cost effective method of issuance, all else equal.

The estimated interest rates, fees, and expenses appear reasonable and staff expects these terms will be negotiated prior to issuance. Staff recommended Condition No. 2 also addresses these fees by requiring the Company to demonstrate that the rates it receives are competitive or otherwise consistent with the current market environment.

### **Use of Proceeds**

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), 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 reimburse the treasury for funds used to discharge or lawfully refund obligations, such obligations were incurred for purposes described in ORS 757.415 (1).

### **PROPOSED COMMISSION MOTION:**

Portland General Electric's application to issue and sell not more than \$75 million of First Mortgage Bonds be approved with the conditions and reporting requirements contained in Staff's memo.

Attachment

UF 4241 - PGE Sells \$75 Million FMBs

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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	Private Debt		Wrapped Debt	
	Amount	Per \$100	Amount	Per \$100
1. Face value or principal amount	\$75,000,000	\$100.00	\$75,000,000	\$100.00
2. Plus premium or less discount				
3. Gross proceeds	\$75,000,000	\$100.00	\$75,000,000	\$100.00
4. Underwriters' spread -0.875%	<b>656,250</b>			
5. Securities and Exchange Commission registration fee	-		-	
6. Printing and engraving expenses	10,000		10,000	
7. Trustee's charges	10,000		10,000	
8. Fees and expenses of independent public accountants	15,000		15,000	
9. Rating agency fees	60,000		60,000	
10. Insurance fees			<b>916,000</b>	
11. Legal fees	50,000		50,000	
12. Total deductions	<b>801,250</b>	1.07%	<b>1,061,000</b>	1.41%
13. Estimated net amount to be realized	\$74,198,750	\$98.93	\$73,939,000	\$98.59

In the case of directly issued insured Bonds (Wrapped), the insurance fees would apply but the underwriters' commission would not. Conversely, in the case of marketed uninsured Bonds (Private placement) the underwriters' commission would apply but the insurance fees would not.