ORDER NO. 08-441

ENTERED 08/28/08

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4251

In the Matter of	)	
	)	
PORTLAND GENERAL ELECTRIC COMPANY	)	ORDER
	)	
Application requesting authority to issue up to 10 million shares of Common Stock.	)	

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS AND REPORTING REQUIREMENTS

On July 28, 2008, Portland General Electric Company (PGE or Company) filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.410(1), ORS 757.415(1) and OAR 860-027-0030, for authority to issue up to 10 million shares of PGE common stock.

PGE represents that, as of July 28, 2008, 62,548,742 shares of its no par value common stock have been issued and are outstanding. The Company further represents that it is authorized by its Articles of Incorporation to issue up to 80 million shares of no par value common stock. PGE proposes to issue and sell the new common stock through one or more of three methods, not to exceed 10 million, in aggregate. A description of the filing and its procedural history is contained in the Staff 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 August 26, 2008, 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 up to 10 million shares of common stock is approved, subject to the conditions and reporting requirements specified in Appendix A.

Made, entered, and effective AUG 28 2008.

BY THE COMMISSION:

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. CA 11

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 26, 2008

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

DATE: August 18, 2008

TO: Public Utility Commission

FROM: Steve Storm

THROUGH: Lee Sparling and Marc Hellman

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UF 4251) Application for authority to issue and sell up to 10 million shares of Common Stock.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve Portland General Electric's (PGE or Company) application to issue up to 10 million shares of PGE Common Stock subject to the following conditions and reporting requirements:

1) The Company shall file the customary Report of Securities Issued and Disposition of Net Proceeds statements annually, within 60 days of the end of each calendar year;

2) The Commission will reserve judgment on the reasonableness for ratemaking purposes of the Company's financing activities, capital costs, capital structure, and the commissions and expenses incurred for security issuances. The Company will be required in its next rate proceeding to show that its financing activities; capital costs, including embedded expenses; and capital structure are just and reasonable; and

3) No condition within the Stipulation adopted in Order No. 05-1250 is waived or modified by the omission of such condition(s) in any Order issued pursuant to the current application.

DISCUSSION:

PGE filed an application on July 28, 2008, pursuant to Oregon Revised Statutes (ORS) 757.410(1) and 757.415(1) and Oregon Administrative Rule

(OAR) 860-027-0030, for authority to issue up to 10 million shares of PGE common stock.

The Company's application for authorization of issuance of 62.5 million shares of PGE new common stock was approved by the Commission[1] on December 14, 2005, in Order No. 05-1250[2] of Docket Nos. UF 4218/UM 1206. Order No. 05-1250 adopted the Stipulation[3] submitted by the parties[4] to UF 4128/UM 1206 modifying the Company's application. The Stipulation contains seventeen numbered conditions pertaining to PGE's issuance of common stock under Order No. 05-1250.

PGE's current application is for the issuance of 10 million of the Company's no par value[5] common stock. The Company represents that, as of July 28, 2008, 62,548,742 shares of its no par value common stock have been issued and are outstanding. The Company further represents that it is authorized by its Articles of Incorporation to issue up to 80 million shares of no par value common stock.

PGE proposes to issue and sell the new common stock through one or more of three methods, with the total number of shares sold through all methods not to exceed 10 million. The first method is to issue and sell the shares on a negotiated basis in one or more transactions to a group of investment and commercial banks (the Underwriters). The Underwriters would then sell the shares to the public. The public offering price of shares sold in this manner will be a fixed price determined by agreement between PGE and the Underwriters. PGE will receive proceeds based on the fixed price less a negotiated underwriting fee paid to the Underwriters.

The second method is using an equity forward contract. The Company would enter into a forward contract with the Underwriters to deliver a specific number of new PGE common shares within a two-year period at a negotiated fixed price, less underwriting

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[1] The Commission granted PGE's application in Docket Nos. UF 4218/UM 1206 under ORS 757.412, not under ORS 757.410 as is requested in the current application.

[2] The application approved in Order No. 05-1250 was for a new common stock issuance to replace 100% of PGE's then existing common stock, all of which was held by Enron Corporation.

[3] *See* Appendix A of Order No. 05-1250.

[4] Parties signing the Stipulation included PGE; Stephen Forbes Cooper, LLC; Enron Corporation; Citizens' Utility Board; Staff of the Oregon Public Utility Commission; Industrial Customers of Northwest Utilities; and Community Action Directors of Oregon and Oregon Energy Coordinators Association.

[5] No par value (NPV) stock is stock issued without the specification of a par value indicated in the company's articles of incorporation or on the stock certificate itself. One advantage of issuing no par value stock is to avoid the situation of creating a liability to shareholders in the unlikely event of the traded share price falling below the par value of the shares.

fees and plus or minus an adjustment.[6] The Underwriters borrow from shareholders of existing PGE common stock the same number of shares PGE has agreed to deliver under the forward contract. The borrowed shares are sold by the Underwriters to the public at the negotiated fixed price, which is also the price PGE receives at settlement of the forward contract. At settlement, PGE issues the new shares, which the Underwriters then deliver to the shareholders whose shares were borrowed. PGE receives the cash proceeds based on the negotiated price less the underwriting fees and plus or minus the adjustment previously referenced.

PGE would also have the ability to settle the forward contract obligation on a net basis, where PGE does not issue any of the new shares. Instead, PGE pays or receives a cash settlement[7] equal to the change in stock price from the time the new shares are priced under the forward contract until the contract is terminated, plus or minus the adjustment previously referenced. In this case the Underwriters would buy shares in the open market to repay the borrowed shares using the cash settlement paid or received by PGE. The ability to cash settle the forward contract provides PGE flexibility in the event proceeds of the stock issuance are not needed during the two-year period.

The primary reason for using an equity forward contract versus issuing new shares and receiving cash settlement is to allow the issuer to establish a firm price in the current period for the sale of new common shares in a future period while deferring the actual issuance of those shares and receipt of cash until the cash is actually needed during the subsequent two-year period. Since the new shares are not considered to be outstanding until cash is received and shares are issued, using an equity forward contract has the effect of reducing dilution.[8] It also allows an issuer to settle in cash and not issue new shares if capital plans change. The use of an equity forward contract has been referred to as "equity on demand."

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[6] PGE represents that at settlement using this method, the Company's proceeds per share will be reduced by an amount equal to PGE's normal dividend on the borrowed shares during the period less an investment rate on the proceeds, which are typically invested at approximately the Fed Funds rate. Whether the adjustment is "plus" or "minus" depends on PGE's dividend yield at the fixed price vis-à-vis the investment rate.

[7] Cash settlement is a settlement method used in certain future and option contracts whereby, upon expiry or exercise, the seller of the financial instrument does not deliver the actual commodity but transfers the associated cash position. For sellers not wishing to take actual possession of the underlying cash commodity, cash settlement is a more convenient method of transacting futures and options contracts. For example, the purchaser of a cotton future that is cash settled, rather than being required to take ownership of physical bundles of cotton, pays the difference between the spot price of cotton and the futures price.

[8] Value dilution is the reduction in the current price of a stock due to an increase in the number of shares. If the new shares are issued for proceeds at least equal to the pre-existing book value per share, then there is no dilution in value. The old owners own a smaller piece, but of a bigger company.

The third offering method is a continuous public offering sometimes referred to as a "dribble program." In this method PGE would direct a broker to offer an amount of shares, typically up to about 20 percent of the average daily trading volume,[9] on a daily basis directly into the market. This method is usually for a specific period of time—typically six to twelve months.

Use of Proceeds:
PGE represents that the proceeds from the sale of the common stock will be used for 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), (1)(b), (1)(c), (1)(d), or (1)(e); or the reimbursement of PGE treasury for funds used for the foregoing purposes (except the maintenance of service and replacements).

These purposes are consistent with statutory requirements and are permitted under ORS 757.415(1).

Expenses:
PGE estimates underwriting expenses of $9.2 million and technical services fees and expenses[10] of $245,000. PGE may name as possible underwriters Deutsche Bank, JP Morgan, Lehman Brothers, Wachovia Securities, or others. The common stock will be sold on a negotiated basis, with the underwriter(s) receiving as compensation the difference between the price at which they purchase the common stock from the Company and the price at which the stock is sold by the underwriter(s) to the public. PGE represents compensation of the underwriter(s) will not exceed 4% of the offering price and that this level of underwriting compensation is usual and customary.

PGE represents its obligation as a public utility is to secure sufficient generating, transmission, and distribution capacity to serve its customers reliably at the lowest reasonable cost. PGE further represents the Company's belief that the issuance of common stock in one or more of the methods described above will minimize the overall capital costs associated with such public utility obligations.

This request appears reasonable.

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[9] Per Yahoo Finance (http://finance.yahoo.com/q/ks?s=POR) on August 14, 2008, PGE's average daily trading volume over the past three months was 541,329. Twenty percent of this amount is approximately 108 thousand shares, or slightly more than 1 percent of the shares PGE is proposing to issue.

[10] Technical services fees and expenses associated with stock issuance include SEC and NYSE fees, legal fees, fees and expenses of independent public accountants, printing expenses, and transfer agent charges.

PROPOSED COMMISSION MOTION:

PGE's application for the authority to issue and sell up to 10 million shares of common stock be approved with Staff's conditions and reporting requirements.

UF 4251 PGE Common Stock