ORDER NO. 10-423
ENTERED 10/27/10

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4266

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY Application requesting authority to issue 15 million shares of its Common Stock.	ORDER

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS AND REPORTING REQUIREMENTS

On September 21, 2010, Portland General Electric Company (PGE or Company) filed an application with the Public Utility Commission of Oregon (Commission), under ORS 757.410(1), ORS 757.415(1), and OAR 860-027-0030, requesting authorization to issue up to 15 million shares of PGE common stock.

PGE represents that, as of June 30, 2010, 75,294,987 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 160 million shares of no-par value common stock. 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 October 26, 2010, 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 to issue and sell up to 15 million shares of common stock is approved, subject to the conditions and reporting requirements specified in Appendix A.

Made, entered, and effective OCT 27 2010.

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. CA5

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 26, 2010

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

DATE: October 19, 2010

TO: Public Utility Commission

FROM: Jorge Ordonez JJO

THROUGH: Lee Sparling, Marc Hellman, and Steve Storm

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UF 4266) Application for authority to issue and sell up to 15 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 15 million shares of PGE common stock subject to the following conditions and reporting requirements:

1) Any remaining financing authority granted under Order Nos. 08-441, 08-541, and 09-053 of Docket No. UF 4251 is withdrawn;

2) The Company shall file the customary Report of Securities Issued and Disposition of Net Proceeds statements (Report) annually, within 60 days of the end of each calendar year. The Report shall include: the total value in U.S. Dollars of the issuance(s); total expenses and net proceeds of the issuance(s); an analysis demonstrating that any expenses have been consistent with competitive market prices for such issuances at the time of issuance(s); the rationale of the Company's decision to issue common shares under any of the three methods proposed by the Company; and all the documentation produced in connection with the issuance(s), including but not limited to prospectuses, underwriting agreements, forward contracts, etc.; and

3) 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.

DISCUSSION:

PGE filed an application on September 21, 2010, 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 15 million shares of PGE common stock.

The Company currently has the authority to issue up to 22,500 shares of common stock that remain under Order Nos. 08-441, 08-541, and 09-053 of Docket No. UF 4251, which authorized the Company to issue 12.5 million shares of common stock.

PGE's current application is for the issuance of 15 million of the Company's no-par value[1] common stock. The Company represents that, as of June 30, 2010, 75,294,987 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 160 million shares of no-par value common stock.

PGE proposes to issue and sell the additional shares of PGE common stock through one or more of three methods, with the total number of shares sold through all methods not to exceed 15 million. The three methods are described briefly in the following paragraphs.

The first method, which PGE refers to as a Follow-On method, consists of issuing and selling shares on a negotiated basis in one or more transactions to a group of investment banks (the Underwriters). The Underwriters would then sell the shares to the public. The public offering price of shares sold in this manner would be a fixed price determined by agreement between PGE and the Underwriters. PGE would receive proceeds based on the fixed price less a negotiated underwriting fee paid to the Underwriters, which would not exceed 3.5 percent of the offering price.

The second method, often described as an Equity Forward Sale, has the Company entering into a forward contract with the Underwriters to deliver a specific number of new PGE common shares within a predetermined timeframe at a negotiated fixed price, less underwriting fees and plus or minus an adjustment.[2] The Underwriters would

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[1] 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 for shareholders in the unlikely event of the traded share price falling below the par value of the shares.

[2] PGE represents that by using this method at settlement 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 earned on the proceeds, which are typically invested at approximately the Federal Funds

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.

The primary reason for using an Equity Forward Contract method versus the Follow-On method is to allow PGE to fix the price for a future issuance of new common shares while deferring the actual issuance of those shares and receipt of cash until the cash is needed. Since the new shares are generally not considered to be outstanding until they are issued at settlement of the forward contract, using the Equity Forward Sale method has the effect of avoiding dilution[3] unless or until the shares are issued. The fees and expenses incurred for marketing the shares are approximately the same as those for a Follow-On transaction, and will not exceed 3.5 percent of the offering price.

The third offering method is a Block Trade, often referred to as a registered Bought Deal completed with one investment bank on an overnight basis. Typically, the issuer requests bids from investment banks. These bids include the size of the transaction and the discount from the previous sale. After accepting a proposal, an accelerated marketing period commences and the bank seeks to re-offer the purchased shares before the market opens the following morning. There is no underwriting fee in a Bought Deal, as the amount the bank makes is built into the price paid to a company for the stock. Other fees are consistent with those under the first two offering methods.

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).

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rate. Whether the adjustment is "plus" or "minus" depends on PGE's dividend yield at the fixed price vis-à-vis the investment rate.

[3] 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 equal to or exceeding the pre-existing book value per share, there is no dilution in value. After the transaction in this circumstance, the original shareholders own a smaller piece of a bigger company.

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

Expenses

PGE estimates that the proceeds and expenses attributable to the proposed sale of common stock are as follows:

Item	Amount
1. Estimated gross proceeds from the sale of the common stock	$300,000,000
2. Less underwriting discount	*10,500,000
3. Net proceeds	289,500,000
4. Printing	30,000
5. SEC fee	8,000
6. NYSE fee	10,000
7. Transfer agent charges	10,000
8. Fees and expenses of independent public accountants	30,000
9. Legal fees	175,000
10. Total deductions	263,000
11. Estimated net amount to be realized	$289,237,000

* *Does not apply to a Block Trade*

PGE will name managing underwriters prior to the issuance of common stock. The common stock will be sold on a negotiated basis. The underwriting compensation is the usual and customary compensation and in no event will it exceed 3.5 percent of the offering price. In the case of a Block Trade, the bank will not receive direct compensation. Instead, it will earn the difference between the price per share paid to the Company and the price at which it ultimately sells the shares to the public.

PGE represents that 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.

PROPOSED COMMISSION MOTION:

PGE's application for the authority to issue and sell up to 15 million shares of common stock be approved subject to Staff's conditions and reporting requirements.

UF 4266 PGE Common Stock