

ORDER NO. 23-446

ENTERED Nov 28 2023

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UF 4350

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY,

Application for Authority to Issue Stocks,  
Bonds, Notes or Other Securities under the  
Employee Stock Purchase Program  
(ESPP).

ORDER

**DISPOSITION: STAFF'S RECOMMENDATION ADOPTED**

At its public meeting on November 28, 2023, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



**Nolan Moser**

Chief Administrative Law Judge



A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA7

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: November 28, 2023**

**REGULAR** \_\_\_\_\_ **CONSENT**   X   **EFFECTIVE DATE** \_\_\_\_\_ **Upon Commission Approval** \_\_\_\_\_

**DATE:** November 9, 2023

**TO:** Public Utility Commission

**FROM:** Matt Muldoon

**THROUGH:** Bryan Conway and Marc Hellman **SIGNED**

**SUBJECT:** PORTLAND GENERAL ELECTRIC:  
(Docket No. UF 4350)  
Requests authority to issue up to 500,000 shares of common stock in Employee Stock Purchase Plan.

**STAFF RECOMMENDATION:**

Staff recommends the Commission authorize the issuance of an incremental 500,000 shares of Portland General Electric Company (PGE or Company) common stock in the Company's 2007 Employee Stock Purchase Plan (ESPP or Plan), as amended and restated September 26, 2022, and successors thereto, subject to the following Staff recommended conditions and requirements (Conditions):

1. Authorization Limit: The Company may issue and sell up to an incremental 500,000 shares of PGE Common Stock (Shares) in the Company's Plan. Total Shares authorized to the Plan are (existing 625,000 Shares) plus (requested 500,000) for an aggregate total of 1,125,000 Shares. As of June 30, 2023 (last Plan purchase date), after qualified purchases, and with the requested 500,000 incremental Shares, 647,648 (147,648 + 500,000) Shares would be available for purchase in the Plan.
2. Plan Termination: The Plan will automatically terminate when all Shares reserved for the Plan have been purchased. This does not preclude PGE from requesting the authorization of more shares.
3. Qualified Employees: Sales of Stock within the PGE Plan are restricted to all employees working 20 hours a week or more for the Company or for a participating subsidiary of PGE (Participating Employees). No employee owning 5 percent or more of Shares may participate in the Plan. Participating Employees may elect to

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deduct no less than one percent and no more than 10 percent of any given paycheck.

4. Maximum Purchase per Employee: Each Participating Employee may purchase in aggregate annually no more than the lesser of 1,500 Shares or \$25,000 worth of Shares based on fair market value at purchase dates. Purchases may be made through payroll deductions.
5. Purchase Dates: The first of two annual offering periods is January 1 through June 30 inclusive. The second is July 1 through December 31 inclusive. Purchase dates for each is on the last trading day of offering period.
6. Purchase Price: Employees shall pay 95 percent of the fair market value on purchase dates.
7. Detailed Records: The Company will obtain and retain itemized issuance and cost detail making this information available to Staff **upon request**. For each itemized fee or cost, the Company will capture the specific role of the entity and the specific service and skill level provided.
8. Reservation of Judgement: The Commission reserves the right to review for reasonableness all financial aspects of Stock issuance in any rate proceeding, audit, or earnings review under an alternate form of regulation.

## **DISCUSSION:**

### Issue

Whether the Commission should authorize PGE to add an incremental 500,000 shares for the Company's ESPP.

### Applicable Law

Under ORS 757.405, a utility must obtain Commission approval prior to issuing stocks and bonds, notes, and other evidence of indebtedness. The Commission may authorize an issuance if it is for one of the permissible purposes listed in ORS 757.415(1), satisfies the criteria of ORS 757.415(2)(b), and, except as permitted, the purpose of the issuance is not reasonably chargeable to operating expenses or income, ORS 757.415(2)(c). Permissible purposes for an issuance under ORS 757.415(1) includes the acquisition of property, the construction, completion, extension or improvement of its facilities, the improvement or maintenance of its services, and the discharge or lawful refunding of its obligations.

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Under OAR 860-027-0030, the Commission requires utilities to provide certain information when seeking authority to make an issuance under ORS 757.405-757.415.

### Discussion and Analysis

#### *Background*

On October 27, 2023, the Company filed an application for authorization to issue and sell 500,000 shares of unissued Common Stock (Application) through its ESPP. Approval of this application would bring Shares available for PGE employees to purchase to 647,648 Shares, about what the Plan targeted to be available when last amended and restated on September 26, 2022.

At issue is whether this authorization is in the public interest, and whether these Plan sales to employees can be accomplished cost effectively to the benefit of ratepayers, while also providing an effective human resources management tool to attract and retain highly qualified employees at PGE.

#### *Staff Considerations*

Plan-sold stock would have the same voting privileges as the existing PGE common stock, and it would not be issued pro rata to existing holders of PGE's securities. Stock issuance is consistent with PGE maintaining a balanced capital structure.

#### *Estimated Proceeds*

Staff recognizes that PGE's Plan has no preset life. However as an example only, were all outstanding shares sold at the closing price of \$40.52 / Share on November 9, 2023, with a five percent discount for Qualified Employee purchases, that would generate gross proceeds of about \$25 million.<sup>1</sup>

In compliance with Condition 7, PGE will obtain and maintain cost details. To minimize the reporting burden, the Company will update the cost details with actual costs. However, to the extent possible, the subordinate costs will be available for Staff review upon request.

#### *Benefits of Internal Sale of PGE Stock*

Ratepayers benefit several ways from PGE's ESPP. First the cost of stock sales is controlled by minimal Plan fees. Instead of the large cost of floating common stock through investment banks, there are only modest fees for administering PGE's Plan.

Second, the Company's Plan is a cost-effective way for PGE to attract and retain qualified employees. Limitations on purchases through the Plan, and accessibility

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<sup>1</sup> 647,648 Shares x \$38.50 per Share = \$24,934,448.

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through payroll to all Qualified Employees means that PGE's ESPP is a fair, broad, and equitable program. Interested employees pay 95 percent of the cost of Shares. Executives are not excluded, but any entity controlling five percent of PGE Shares would be denied access to the Plan. As an example, large money managers such as Blackrock and Vanguard would not be able to access or benefit from the Plan.

Third, while only a small supplemental method of selling PGE Stock, the ESPP helps to balance PGE's capital structure, again at a controlled cost to utility customers. PGE needs go to financial markets slightly less frequently due to the Plan's small incremental contribution to PGE's finances.

*Use of Proceeds*

PGE intends to use projected proceeds for utility purposes as permitted by law.

Conclusion

*Flotation through PGE's Plan Results in No Harm*

Staff finds that the authority requested is timely, usual, necessary, and beneficial to both the Company and to its utility customers. Controls herein help to ensure costs are reasonable and well-managed.

The Company has reviewed this memo and agrees with Staff's recommendations.

**PROPOSED COMMISSION MOTION:**

Authorize PGE to issue up to 500,000 incremental shares of common stock in the Company's Employee Stock Purchase Plan.

PGE UF 4350 500K ESPP Stock