

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: September 10, 2007**

REGULAR X CONSENT _____ EFFECTIVE DATE _____ N/A _____

DATE: September 7, 2007

TO: Public Utility Commission

FROM: Bryan Conway

THROUGH: Lee Sparling and Marc Hellman

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UF 4241(1)) Application to Amend Order 07-333 granting 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) request to amend Order 07-333 granting authority 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

and Moody's Investors' Service, Inc., respectively on any debt security type it intends to market.

- 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). On August 7, 2007, the Commission issued Order 07-333 approving PGE's application subject to conditions.

Since the Commission issued Order 07-333, credit markets have become increasingly volatile with recent trends towards wider spreads due to weak economic data. However, this same economic data as resulted in lower treasury yields. The net result is that PGE still has an opportunity to issue debt at favorable rates.

An amended maximum spread over the applicable Treasury securities for various maturities is listed in Table 1 for the Bonds.

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).

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

Greater Than or Equal To	Equal To or Less Than	Maximum Spread Over Benchmark Treasury Yield
3 years	9 years	+140 basis points
10 years	14 years	+150 basis points
15 years	19 years	+160 basis points
20 years	24 years	+170 basis points
25 years	30 years	+180 basis points

PROPOSED COMMISSION MOTION:

Portland General Electric's application to amend Order No. 07-333 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.