

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: May 18, 2004**

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

**DATE:** May 13, 2004

**TO:** Lee Sparling through Marc Hellman and Bryan Conway

**FROM:** Thomas D. Morgan

**SUBJECT:** PORTLAND GENERAL ELECTRIC: (Docket No. UI 195 (2)) Application for Authority to Extend Loan to Affiliate.

**STAFF RECOMMENDATION:**

The Commission should approve Portland General Electric Company's (PGE or Company) application to extend the duration of the existing loan to Portland Energy Solution, LLC (PES), subject to the following conditions:

1. The amount that will be refunded to customers, of the incremental accrued interest from the loan, was \$135,487 as of April 2, 2004. This balance shall accrue interest at the company's authorized cost of capital until credited to consumers.
2. At PGE's next change in rates, customers will be credited the balance of the amount identified in Condition 1.

**DISCUSSION:**

On April 19, 2002, the Public Utility Commission approved PGE's request to provide a secured loan to PES, a subsidiary of Enron (Order No. 02-280). That loan was approved for a single year and allowed PES to complete Phase I of a district cooling system in Northwest Portland. In order to mitigate the riskiness of the loan, due to Enron's bankruptcy filing, the Commission adopted a condition that required a market-based interest rate of 16 percent to apply to the loan; the interest received above PGE's authorized cost of capital would be returned to ratepayers. The approval granted authority to lend up to \$2.0 million to PES.

In March 2003, PGE requested an extension to the approval for an additional year at a reduced maximum loan amount of \$1.5 million. The extension was approved through

March 31, 2004, (Order No. 03-453). At that time, it was indicated that PES would be seeking a buyer for its assets.

On March 29, 2004, PGE filed another extension because the loan to PES had not been repaid. PGE requested an extension for a 90-day period because the process of selling the assets of PES was in progress. The transaction was expected to commence within a week of PGE's application filing. The sale of the assets owned by PES occurred on April 2, 2004, to Portland District Cooling Company, LLC, a non-affiliated entity.

Because the loan extension request was made prior to the expiration of the initial authority, and in light of the good-faith effort to consummate the transaction, Staff believes that it would be in the interest of the Company to grant approval for the extension. The transaction commenced and the loan was paid in full on April 2, 2004.

The final balance on the loan as of April 2, 2004, was \$1,063,497. The total interest that accrued on the loan was \$293,631, with \$135,487 representing the incremental amount that will be refunded to customers. Staff recommends that this amount be refunded to customers in concert with the next change in PGE's rates. This amount should accrue interest at the company's authorized cost of capital as of April 2, 2004.

**PROPOSED COMMISSION MOTION:**

PGE's application for the 90-day extension of its loan to PES be approved with Staff's conditions.