

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 21, 2009**

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

DATE: April 14, 2009

TO: Public Utility Commission

FROM: Jorge Ordonez

THROUGH: Lee Sparling, Marc Hellman, and Steve Storm

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UF 4258) Application for authorization to enter into a 3-year revolving credit agreement.

STAFF RECOMMENDATION:

The Commission should approve Portland General Electric's (PGE or Company) application subject to the following conditions and reporting requirements:

- 1) The Company shall file a copy of the executed Credit Agreement no later than one month after the agreement has been signed.
- 2) The Company shall file the customary Report of Securities Issued and Disposition of Net Proceeds statements as soon as possible after any issuance. Such reports shall demonstrate, upon any replacement, renewal, or extension of the credit agreement, that any fees, interest rates, and expenses are consistent with competitive market prices for such agreements.
- 3) Rates, fees, and the maximum dollar amount of the credit agreement shall be no greater than those identified in the application.
- 4) The Company shall file reports with the Commission no less frequently than annually, with each report including the outstanding balances of revolving credit under the new facility and the outstanding letters of credit issued under the credit agreement. Filing of such reports shall continue as long as this credit facility remains in effect.
- 5) The Commission reserves judgment on the reasonableness for ratemaking purposes of the Company's capital costs, capital structure, and the commissions and expenses incurred for security issuances. The Company has the burden of proof to demonstrate that its financing activities; capital costs, including

embedded expenses; and capital structure are just and reasonable. Approval of this application and the conditions and requirements herein by the Commission does not constitute a precedent or finding as to whether any or all of this revolving credit agreement shall be treated as long-term debt for purposes of any minimum capital requirement pursuant to a Commission order.

DISCUSSION:

PGE filed an application March 13, 2009, under Oregon Revised Statutes (ORS) 757.410(1), 757.415(1), and Oregon Administrative Rule (OAR) 860-027-0030 for authorization to enter into a three-year revolving credit agreement with Barclays Capital for up to \$50 million.

PGE represents that the Company currently has a \$125 million 364-day revolving credit facility expiring on December 4, 2009, and a multi-year \$400 million facility expiring in May 2013. The new facility will supply additional multi-year credit needed to support PGE's operations and will add an additional bank to further diversify PGE's bank group. Borrowings under the new facility will be unsecured. The Company represents it may issue a note to Barclays Capital in the amount of commitment under the new facility.¹

PGE also represents that the new facility will allow the Company to borrow, at its option, amounts from a minimum of \$1 million up to the total amount of the facility. The Company will be able to repay loans and re-borrow from under the new facility so long as the total outstanding amount of all borrowings at the time does not exceed the total amount of the new facility.²

PGE filed an amended application on April 14, 2009, in which the Company represents that the Company will also pay a one-time upfront fee of 50 basis points.³

In an electronic mail communication to Staff on April 14, 2009, PGE indicated the Company will supply a letter from its banks stating their opinion that the terms for the new revolving credit facility are competitive with other similar facilities in the market being done for utilities with similar credit.⁴

¹ See page 5 of PGE's application.

² See page 6 of PGE's application.

³ See page 6 of PGE's application.

⁴ Staff understands this letter will be made available after terms are finalized.

Use of Proceeds

Company represents that this three-year credit agreement will solely be used for the acquisition of utility property, 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), and (1)(e), or the reimbursement of PGE treasury for funds used for the foregoing purposes, except the maintenance of service and replacements. To the extent this credit agreement is used to discharge or lawfully refund obligations, they or their precedents were originally incurred for purposes described in ORS 757.415 (1)(a), (1)(b), or (1)(e). To the extent this credit agreement is used to reimburse PGE treasury for funds used to discharge or lawfully refund obligations, such obligations were incurred for purposes described in ORS 757.415(1)(a), (1)(b) or (1)(e), or for the purposes described in ORS 757.415(1)(a), (1)(b) or (1)(e) directly.⁵

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

Expenses

PGE represents that the Company expects to have the option to borrow under the new facility at either a Eurodollar-based rate option or a floating rate option. The Eurodollar-based rate option will be the existing applicable Eurodollar rate at the time of any loan plus the applicable margin. The floating rate option will be a daily floating rate at the higher of the prime rate, the federal fund rate, or the Eurodollar-based rate, plus the applicable margin. The applicable margins for floating rate and Eurodollar-based loans are predicated upon PGE's credit ratings at the time of the loan. The rating levels are based upon the Company's unsecured debt ratings by Moody's and Standard & Poor's. In the event of a split rating, the higher rating would apply unless there is more than a one-notch difference in the two ratings, in which case the rating immediately below the higher rating would apply. In addition to the above, the Company will also pay an annual facility fee for the new facility based on its unsecured ratings along with a one-time upfront fee of 50 basis points.⁶

PGE's application includes a matrix setting forth Company's proposed maximum margins and facility fees anticipated under the new facility:⁷

⁵ See page 8 of PGE's application.

⁶ See page 6 of PGE's application.

⁷ See pages 6 and 7 of PGE's application.

Applicable Margin or Fee Rate	Level I Status A-/A3	Level II Status BBB+/Baa1	Level III Status BBB/Baa2	Level IV Status BBB-/Baa3
<i>Euro Margin</i>	1.55%	2.00%	2.375%	2.75%
<i>Base Rate Margin</i>	0.30%	0.75%	1.125%	1.50%
<i>Facility Fee</i>	0.20%	0.25%	0.375%	0.50%

PGE represents this transaction will produce the lowest cost of funds for a similar type facility currently available to the Company.⁸

Staff has reviewed the PGE application. The terms appear reasonable and the Company notes that any funds under this agreement will be used solely for lawful purposes.

PROPOSED COMMISSION MOTION:

The application of Portland General Electric to enter into a revolving credit agreement for up to a three-year term be approved with Staff's conditions and reporting requirements.

⁸ See page 1 of PGE's application.