

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1121

In the Matter of the Application of)	
)	
OREGON ELECTRIC UTILITY)	ISSUES LIST OF THE INDUSTRIAL
COMPANY, LLC, et al.,)	CUSTOMERS OF NORTHWEST
)	UTILITIES
for Authorization to Acquire Portland General)	
Electric Company)	
_____)	

Pursuant to the Prehearing Conference Memorandum issued by Administrative Law Judges Kathryn Logan and Christina Smith on April 16, 2004, the Industrial Customers of Northwest Utilities (“ICNU”) submits this Issues List in Docket UM 1121. ICNU requests that the Oregon Public Utility Commission (“OPUC” or “Commission”) address the issues presented herein prior to resolving Oregon Electric Utility Company, LLC (“Oregon Electric”), et al.’s (collectively “the Applicants”) request for approval of the proposal to purchase Portland General Electric Company (“PGE” or the “Company”).

The following is only a list of generic issues that ICNU has identified with respect to the proposed transaction. ICNU’s ability to develop this issues list as thoroughly as possible has been hindered by Oregon Electric’s failure to respond to certain ICNU data requests because of claims of confidentiality.

ICNU raises the following issues in this Docket:

Issue #1: Will the Applicants’ acquisition of PGE constitute a measurable net benefit in the absence of rate benefits for customers? What are the benefits for customers?

Issue #2: Are adequate ring fencing and affiliate interest protection mechanisms proposed by the Applicants?

Issue #3: Are the risks associated with the purchase of PGE by a newly created and highly leveraged parent company appropriately balanced between customers and shareholders, especially in light of the absence of a rate credit benefit offered to customers?

Issue #4: Does Oregon Electric's refusal to provide to Intervenors documents and models that are allegedly "Extremely Confidential" prevent a thorough review of all potential risks to ratepayers? Does such a refusal indicate a long-term access to books and records problem?

Issue #5: What are the consequences and risks of the certainty that the Applicants will sell PGE within the next 12 years? Do the Applicants intend to sell PGE sooner than in 12 years, and if so, when?

Issue #6: What would be the alternative to a purchase by the Applicants, and would it better serve the public interest?

Issue #7: How can a temporary purchase with a 12-year limit of ownership improve the long-term security and certainty for PGE and its ratepayers?

Issue #8: How will ratepayers be protected from cost cutting measures that the Applicants may implement in order to meet leveraged buyout debt obligations and make the future sale of PGE more profitable?

Issue #9: What are the financial arrangements between the Applicants and its bankers? When will these arrangements be finalized?

Issue #10: If the Public Utility Holding Company Act (“PUHCA”) is repealed, leading to an adjusted ownership so that voting control over PGE would be based on equity interest and resulting in the Local Applicants holding approximately 0.5% instead of 95% in voting interest, how would the alleged benefit of substantial representation of Oregonians be preserved and what are the consequences to PGE customers?

Issue #11: Does the highly leveraged nature of Oregon Electric create risks as to the reliability, quality, and rates associated with PGE’s operations, and undermine the Commission’s commitment to ensuring financially secure utilities?

Issue #12: Are the stock purchase agreement and loan agreements and corporate organization of Oregon Electric structured in a manner that ensures that the Applicants will devote all available proceeds to expeditiously return Oregon Electric’s consolidated debt ratio to an acceptable level?

Issue #13: Have the Applicants adequately justified the cost and revenue assumptions upon which they base Oregon Electric’s ability to meet its debt repayment obligations, and will service quality suffer if those assumptions fail and PGE must reduce expenses or impose a rate increase to meet debt repayment obligations?

Issue #14: What service quality commitments are the Applicants willing to adopt?

Issue #15: Does the leveraged buyout structure encourage PGE to seek revenue enhancement or risk limiting regulatory mechanisms that it would otherwise not need?

Issue #16: What is the plan of operation for PGE and when will this document be finalized?

Issue #17: Do we have enough information from the Applicants to make an informed evaluation of the risks and benefits to customers?

Issue #17: What is the risk with regard to the Company's common equity ratio of PGE failing to accumulate the projected \$250 million by December 31, 2004, and what is the impact on customers of draining PGE's resources?

Issue #18: How does this proposed transaction impact PGE's credit ratings?

Issue #19: Is it prudent or in the public interest to leave PGE with only \$10 million in cash reserves and common equity barely over the OPUC minimum 48% common equity ratio, and a significantly higher level of short-term debt?

Issue #20: How does naming Tom Walsh and Peggy Fowler to the Oregon Electric Board constitute Oregon control, since there are no other Oregonians identified for the Board of Directors? What are the impacts of the resignation of the proposed Chairman of the Board?

Issue #21: Given the negative consent rights of Texas Pacific Group ("TPG"), how does the Oregon Electric Board structure constitute local control?

Issue #22: How do customers benefit from local control, assuming that local control is established, under the structure proposed by TPG?

Issue #23: Will the proposed acquisition, if approved, in any way impede the implementation of SB 1149?

Issue #24: Will this proposed structure pass SEC scrutiny? What is the timetable for SEC review?

Issue #25: What specific commitments from the Enron merger proceeding will remain if the purchase of PGE by the Applicants is approved? Are the existing conditions sufficient?

This issues list provides a general outline of ICNU's threshold concerns regarding the proposed transaction. ICNU is certain that other issues will become apparent as this proceeding continues and reserves the right to raise additional issues as they present themselves.

WHEREFORE, ICNU respectfully submits this Issues List for the Commission's consideration.

Dated this 13th day of May, 2004.

Respectfully submitted,

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