



DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

June 25, 2004

ALJ Kathryn Logan and ALJ Christina Smith
Administrative Hearings Division
Public Utility Commission of Oregon
550 Capitol St. NE Suite 215
PO Box 2148
Salem, OR 97308-2148

RE: UM 1121 – Staff’s Consolidated Issues List

Dear ALJ Logan and ALJ Smith,

Staff has unsuccessfully attempted to create a joint consolidated issues list. Staff has attached a consolidated issues list but it does not include comments or agreements from all of the parties.

The current consolidated issues list is basically the simple combination of each party’s issues. As it currently exists, Staff believes the consolidated issues list is too large and of minimal value in assisting in the hearings process. As such, Staff respectfully requests that the filing date for a joint issues list be extended to July 2, 2004. At that time, Staff proposes to file a more concise proposed consolidated issues list. Staff proposes that other parties would be allowed to file written objections, if necessary, to the proposed consolidated issues list.

Staff believes that an extension and this proposed procedure will result in a more concise and useful issues list for this proceeding. Therefore, Staff respectfully requests an extension until July 2, 2004, to file a proposed issues list.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Jason W. Jones
Assistant Attorney General
Regulated Utility & Business Section

cc: Email Service List

JWJ:jwj/GENJ4864.DOC

Consolidated Issues List
UM 1121

1. Will the Applicants' acquisition of PGE provide net benefits for customers?
 - Will they be tangible and measurable?
 - How will they benefit customer rates?
 - What will we compare benefits against and how will we compare the new proposed business entity against other viable options?
 - Will the benefits for customers include a commitment to environmental stewardship and a continued significant participation in civic and charitable endeavors?

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? (ICNU)

Net Benefit Standard & Baseline: Our issues include the yardstick by which the Commission will measure net benefit, and the adequacy of the filings to allow a meaningful comparison. (CUB)

What impact would approval of the Application have on PGE customer rates? (AOI)

Would approval of the Application serve PGE's customers in the public interest; i.e., result in a net benefit? Is any such net benefit tangible or measurable? To what extent is any such net benefit speculative, contingent, or conditional, and what is the certainty of the benefit being realized by customers? What conditions would be necessary to assure such benefit is actually realized? (AOI)

Applicants believe that there is a single overarching issue to be determined in this proceeding: Whether Applicants' proposed acquisition serves Portland General Electric Company's customers in the public interest. (AW)

3. Continued commitment to the environment: Will the resulting business entity be capable of providing the quality and level of services now offered to customers? (COP)

How will the merger affect PGE's commitment to the City's adopted policies on the environment and energy? (COP)

These goals may be met in part by continuing PGE's commitment to the public purpose provisions of SB 1149. In the event that these public purpose provisions are revised or repealed, will PGE agree to propose, and will OEUC/TPG actively support, one or more alternatives under which PGE will collect public purpose funds? (COP)

How will PGE, OEUC and TPG otherwise address current city goals related to minimizing the adverse environmental impacts of utility generation, transmission and distribution? Should they affirmatively commit to actively supporting low-income bill payment assistance at current levels, if not at increased levels? (COP)

8. PGE's Role as a Corporate Citizen What assurances will OEUC/TPG provide that PGE will continue to serve both as a significant participant in civic causes and contributor to local charities? Are OEUC and TPG willing to make commitments to PGE's corporate charitable activities, and to the Portland General Foundation, beyond vague assurances? Beyond the commitment of financial resources, are PGE, OEUC and TPG willing to consider creative uses of PGE assets, such as land swaps or property donations, if appropriate? Are PGE, OEUC and TPG willing to commit to sharing administrative resources, such as software, training or other systems, if feasible and transferable? (COP)

9. Protection for Ratepayers from Monopoly Service Provider controlled by a Holding Company; Does the proposed transaction expose customers to greater risks from unjust exactions arising from the structure and form of the resulting business entity? (COP)

What conditions will serve to protect ratepayers and the region from suffering through a cycle of repeating past economic dislocations? (COP)

Will the holding company structure result in higher costs for the subsidiaries, in the sense of paying taxes through the parent organization? What regulatory safeguards can be put in place to ensure that money is not shifted inappropriately between related corporate entities? (COP)

16. Determining the Benefits and Risks of the Proposed Transaction: Given the unique aspects of the proposed transaction, and the numerous issues posed by the structure of the resulting business entity, how will the Commission compare whether the proposed transaction will result in net benefits to customers? How will the Commission determine whether the proposed transaction will not impose a detriment on Oregon citizens as a whole? (COP)

The commission should consider the fullest range of possible alternatives to the proposed transaction in evaluating the net benefits to ratepayers. Such an evaluation should include possible municipal acquisition of PGE. (COP)

To meet the public interest, what material benefits to PGE's assets and those affected by its assets, including its hydropower system, will be provided through this proceeding? (HRC)

2. What is the status quo against which the Commission should measure net benefits?

- Are there other options for PGE ownership that should be considered?
- Is continued ownership by Enron's creditors a viable status quo?

Should the Commission determine public benefit by comparing the proposed transaction to the status quo or to the public purchase of PGE that the TPG plan preempted? (HRP)

PUBLIC INTEREST. Should the Commission determine public benefit by comparing the proposed transaction to the (1) status quo, (2) public purchase of PGE, or (3) some other standard of concrete and tangible benefits, such as immediate roll back of the 2001 rate increases, objective standards of public disclosure, guarantees of long term stewardship coupled with liquidated damages if PGE or assets are sold within 10 years, and if so, what should the conditions be? (CCG)

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

3. What service quality measures should be a condition of this acquisition?

- Would the proposed sale impact service quality to customers?
- What safeguards can be put in place to ensure that service quality will not be adversely effected by cost reduction efforts?

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

What impact would approval of the Application have on the quality of service to PGE customers? (AOI)

Service and Workforce Issues. If OEUC can't raise rates, must fund various public benefits, and cannot collect in rates money that actually is not paid to the relevant governmental entity, OEUC will be seeking ways to lower costs. There must not be any erosion of service quality or reduction in force, transfer of work force out of state, or reduction in crews. (BOMA)

4. Quality of Service; Does the proposed transaction expose customers to risks of lower service quality? Will the merger between PGE and OEUC negatively affect the quality of service to PGE customers in Portland? Will the resulting business entity be capable of economically and reliably providing the services offered to customers now and in the future? (COP)

What regulatory safeguards can be put in place to ensure that the inevitable financial pressures caused by the need to service higher debt loads do not negatively affect service quality? (COP)

4. Should a plan to improve PGE's credit quality be a condition of this sale?

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

5. Should the Commission implement customer guarantees? *See, e.g.,* Commission Order No. 99-00616, Appendix Stipulation 5, pages 11-14.

Service Guaranties. Commercial Customers have an interest in service guarantees that better reflect the cost to the business for lost service and other services provided by the utility. (BOMA)

6. What are the risks associated with the leverage at the holding company?

- How will the risks to customers from this added debt be mitigated?
- Does the use of PGE stock as collateral for OEUC loans require special protections for the ratepayers?

Should the Commission recognize the "double leveraged" capital structure proposed by the Applicants for PGE? (URP)

FINANCIALS. Should the Commission recognize the "double leveraged" capital structure proposed by the Applicants for PGE? How will the Commission monitor the debt levels at both PGE and OEUC and risks to customers? (CCG)

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? (ICNU)

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

Use of PGE as Guarantor, PGE stock as collateral for Loans and Financing Arrangements, or PGE Stock to back trading Activities. The role and ability of the Commission to enforce protections for the ratepayers is critical if this sale is to proceed. An unregulated and largely secret "trading" affiliate backed by PGE credit or its shares is unacceptable. (BOMA)

7. What risk mitigation/ring fencing and affiliate interest protection mechanisms should the Commission implement?

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

17. Commitment to Prior Merger Approval Conditions: Of the conditions agreed to in the Scottish Power and Enron merger approvals, what conditions will OEUC and TPG agree to? Which ones will OEUC and TPG want to modify? What would be the basis for modification? How should these prior conditions of approval be modified? Should any additional conditions be considered? (COP)

In particular, will OEUC/TPG agree to a condition that the cost of capital for PGE will not be higher than if it were a stand-alone entity? How can this be addressed in ring fencing measures? (COP)

Will OEUC/TPG agree to customer performance guarantees and service quality standards? (COP)

What measures should be taken to prevent Oregon Electric Utility Company from blocking or pressuring PGE against commitments that might alter the value of PGE's assets or its net worth during this proceeding? (HRC)

8. What access to books and records should the Commission have at OEUC, TPG, and other parties with a major interest in OEUC?

- Should access to records and books include TPG as well as PGE and OEUC?
- Are issues with access to records and documents by intervenors preventing a complete and thorough review of the proposed transaction and risks to ratepayers?
- Will full and unfettered access to records and books be available throughout TPG's ownership of PGE?
- What monitoring and disclosure of the PERS investment in TPG is necessary to assure ratepayers interests are not compromised?

Should the Commission allow the equity ownership of PGE/OEU to be secret? (URP)

SUNSHINE. Should the Commission require complete "transparency," including disclosure of the equity ownership of PGE/OEUC; regulatory access to personnel and records of PGE/OEUC/TPG; greater accountability and disclosure of PERS investments? (CCG)

Issue #4: Does Oregon Electric's refusal to provide to Interveners 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? (ICNU)

Transparency of Information. Need BOMA say more? This arrangement is complicated and fraught with areas that *might* work but if they do not, Oregon ratepayers will suffer. It is critical to make information available and understandable during TPG's ownership, especially since it has been stated that it intends to buy and then sell the utility. (BOMA)

Reporting and Disclosure: Our issues relate to a private investment group owning a public utility, including preservation of regulatory access to personnel and records at PGE, at OEUC and at TPG, and the implications of public employee retirement investments in a utility regulated by the State. (CUB)

8. Conditions allowing public access to corporate decision-making and dealings: What conditions will be imposed to provide transparent corporate decision-making and address corporate accountability? Will OEUC/TPG provide non-voting positions to representatives of public interests on various corporate committees, e.g., executive compensation and audit, to provide public transparency? What about access to Management Letters written by outside auditors? (COP)

What conditions may be considered to address the Commission's ability to track intercompany loans, dividends, security transactions, sales of utility assets, proxies, and other transactions, as well as intercompany services, sales, and construction contracts, in light of TPG's private status? (COP)

9. Should the Commission impose the same or similar conditions upon applicant as it did in approving Enron's application to acquire PGE? *See generally* Commission Order No. 97-196 and its Appendix A.

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? (ICNU)

Operating Plan: Our issues relate to the general operation of PGE, including operating plans, customer service and billing standards, retention of adequate financial, human and technological resources, resource planning, and capital investment, and service quality. (CUB)

10. If the Commission imposes a condition similar to the Enron Condition No. 6, should short-term debt be considered when determining the minimum equity ratio?

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? (ICNU)

11. What are the unique risks to this transaction due to the type of business entities used (e.g., LLC holding company)?
- What are the risks of the short term (12 yrs or less) ownership proposed by the applicants?
 - What efficiencies and cost reductions measures will the acquisition provide and how will they benefit ratepayers?

5. Electricity Rates; Does the proposed transaction expose customers to greater risks of higher rates? (COP)

What effect will the merger have on electricity rates for the City, its residents, and local businesses? How will the merger produce cost efficiencies or other opportunities to reduce electric rates more than if the merger were not consummated? (COP)

How will the merger increase the availability of lower cost electricity? How will OEUC/TPG identify and take advantage of cost reductions and efficiencies beyond those already identified and implemented? What particular expertise does OEUC/TPG bring to analyzing utility administration and operations? What is the anticipated timeline for OEUC/TPG's evaluation and implementation of cost reduction measures? (COP)

9. Protection for Ratepayers from Monopoly Service Provider controlled by a Holding Company; Does the proposed transaction expose customers to greater risks from unjust exactions arising from the structure and form of the resulting business entity? (COP)

What conditions will serve to protect ratepayers and the region from suffering through a cycle of repeating past economic dislocations? (COP)

Will the holding company structure result in higher costs for the subsidiaries, in the sense of paying taxes through the parent organization? What regulatory safeguards can be put in place to ensure that money is not shifted inappropriately between related corporate entities? (COP)

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? (ICNU)

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? (ICNU)

How would PGE customers be served by approval of the Application given the Applicant's plan to sell PGE in 12 years or less? What protections would be necessary to assure that approval of the Application serves PGE customers now and in the future in light of this planned transfer of ownership and control? (AOI)

Affiliate Transactions: Our issues include the possible affiliation and/or conflicts between PGE and TPG's network of partners and companies and TPG's and /Or OEUC's plans for PGE's unregulated affiliates. (CUB)

12. What are the unique risks to this transaction due to the type of investment funds investing in OEUC (e.g., closed-end private equity funds via limited partnerships)?

Cross collateralization and investor protections. At this juncture, there has been no disclosure of the operative financing terms. BOMA is concerned that the financing vehicles may include provisions that operate to protect investors first, such as provisions that require that any monies paid on any debt be paid first to transaction in which the investors are at risk economically. Similarly, BOMA is concerned that

there will be provisions that allow the collateral from one loan to be used to secure another loan at the maker's discretion. (BOMA)

13. How can adequate investment in PGE's infrastructure be ensured?

- Will the proposed IRP be fully funded should it gain approval?
- What guarantees can be implemented to assure continued PGE investments in maintenance and infrastructure to meet present and future needs? What role will PGE play in addressing the critical issues facing the region's transmission system? What role will PGE play in addressing the transmission constraints facing new resources, such as wind power?

14. What are the Applicant's plans for providing a diverse energy supply?

- What are the Applicant's plans for increasing the level of new renewables in PGE's portfolio?

NIPPC Issue: Whether Oregon Electric Utility Company, under the circumstances of a capital structure that will be heavily tilted towards debt, will be able to secure financing for the construction of Port Westward on terms that are reasonable to Portland General Electric's customers.

Renewable Resources : The Applicant stated in the application that they look forward to enhancing PGE's performance in the area of renewable resources. We believe a broader discussion of their plans for renewable resources, including a commitment to actions that would facilitate additional clean energy development, is an important issue of interest to PGE's customers. (RNP)

Transmission: Concerning the region's transmission system, its capabilities and limitations is a fundamental issue. There are transmission issues unique to renewable resources, specifically wind power, due to their often remote location and intermittent generation patterns. We believe the Applicant should commit to addressing and actively helping to solve transmission constraints facing renewables. Additional renewables can be accommodated by more efficient use of the existing transmission system, such as with offers of partial-firm service, and by the use of new products like storage and shaping. PGE can be more proactive in its work on and support of the efforts of Grid West to create an independent regional planning organization that can help to accommodate the unique characteristics of renewable resources and make more efficient use of the Northwest transmission system for all resources. (RNP)

Issue 3: How will PGE, under the financial proposal outlined in initial OEUC testimony, under which current PGE capital will be used to pay debt service, and a

\$100 million "revolver" line of credit obtained, assure transmission reliability in the near term (5 years) both in terms of capital expenditures and maintenance? (BPA)

6. Economic development and utility infrastructure; Will the merger have any impact on PGE's role in meeting regional commitments to higher density development? What commitments will OEUC and TPG make to continuing PGE's support for these efforts? (COP)

How will PGE, OEUC and TPG address current City goals related to undergrounding of overhead electric utility infrastructure? (COP)

15. How would a repeal of the Public Utility Holding Company Act affect the level of benefits presented by the applicants?

- Should PUHCA be repealed would there be any benefit to the "Local Influence" on the OEUC board?
- Would reorganizing PGE's power trading operation have negative consequences for ratepayers?

PUBLIC UTILITY HOLDING COMPANY ACT. Rationale and implications of avoiding PUHCA. (CCG)

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? (ICNU)

PUHCA: Our issues relating to the Public Utility Holding Company Act include how the deal is structured to avoid PUHCA, the proposed reorganization of PGE's power trading operation to get a PUHCA exemption, the protections offered by PUHCA, the costs of either the reorganization or compliance with PUHCA, and the effects that a PUHCA repeal would have on PGE and its customers. (CUB)

What are the consequences for PGE customers if the Public Utility Holding Company Act ("PUHCA") is repealed and TPG Applicants obtain voting control relative to their equity interests? How would approval of the Application serve PGE customers given this contingency? (AOI)

Spinning off the Trading Activities. This has been justified as necessary for PUHCA. Care should be used to assure that there are not unintended results from

this spin off including impairing the ability to determine whether prices are manipulated, meeting FERC obligations, and tax consequences.(BOMA)

13. Protecting ratepayers from the impacts of reorganizing PGE. Does the proposed transaction present conflicts with the interests of Oregon customers? How will benefits to Oregon ratepayers of PGE's out-of-state trading operations be preserved if the business is restructured to allow the Applicants to avoid the application of PUCHA to their corporate structure? How will Oregon ratepayers be protected from any short-term and/or long-term costs of reorganization pursued by the Applicants to avoid the application of PUCHA to their corporate structure? (COP)

16. Does the highly leveraged nature of OEUC 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?

- Are ratepayers at greater risk due to the higher debt/equity ratio and if so how will they be compensated for this risk?
- Are the ratepayers at risk of OEUC being unable to meet its debt repayment obligations?
- How will the common equity ratio of PGE change if it fails to accumulate the projected \$250 million by December 31, 2004?
- Has adequate consideration been made for the ongoing costs of decommissioning and restoration at Trojan?

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? (ICNU)

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? (ICNU)

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? (ICNU)

Financing: Our issues relating to the financing of the proposed application include the debt levels at both PGE and OEUC, the effects of the financing on PGE's and OEUC's access to capital at reasonable rates both in the short and long term, the risks that such financing places on customers, the possible reliance by PGE on OEUC's credit rating, the effects of the financing on PGE's flexibility, and the effects of the financing on PGE's and OEUC's sensitivities to adversity. (CUB)

Issue 1: How will PGE, under the financial proposal outlined in initial OEUC testimony, under which current PGE capital will be used to pay debt service, and a \$100 million "revolver" line of credit obtained, guarantee the payment of PGE's pro rata share of Trojan Decommissioning costs? (BPA)

Issue #1: EWEB adopts by reference BPA Issue No. 1 raised by the Bonneville Power Administration in its Issue List filed in this proceeding. (EWEB)

Issue 2: How will PGE, under the financial proposal outlined in initial OEUC testimony, under which current PGE capital will be used to pay debt service, and a \$100 million "revolver" line of credit obtained, guarantee the payment of PGE's pro rata share of Trojan site restoration costs as required under the terms of siting permits granted by the Oregon Department of Energy (Facility Siting Council)? (BPA)

EWEB Issue #2. EWEB and PGE executed an Agreement for Construction Ownership and Operation of the Trojan Nuclear Plant ("Trojan Ownership Agreement") on October 5, 1970. could Oregon Electric Utility Company, LLC incur in the future Construction Costs, Operating Costs or Labor Costs associated with PGE's Ownership Share of the Trojan Plant as those terms are defined in the Trojan Ownership Agreement that would not be considered "Decommissioning Expenses" as that term is defined for purposes of administering the Trojan Decommissioning Fund that has been authorized by this Commission. (EWEB)

EWEB Issue #3. Under the financial proposal outlined in initial Oregon Electric Utility Company, LLC testimony, what would be the source of funds to pay PGE's respective Ownership Share of any Costs of Construction, Costs of Operation or Labor Costs as those terms are defined in the Trojan Ownership Agreement, to the extent any such costs fall outside the definition of "Decommissioning Expenses as that term has been defined for purposes of administering the Trojan Decommissioning Fund? (EWEB)

10. Protection for Ratepayers from Unprecedented Debt/Equity Ratios; Does the proposed transaction present conflicts with the interests of Oregon customers? Under OEUC's current proposal, the merger transaction will be financed with large amounts of debt and historically unprecedented debt/equity ratios. What is the benefit to customers of assuming this risk? What mechanisms are available for having OEUC/TPG share some of the potential financial benefits of the proposed structure with ratepayers? (COP)

Under the proposed debt/equity ratio, how can risk possibly be distributed equitably among shareholders and ratepayers? How can ratepayers be compensated for the additional financial risks that will bear? (COP)

17. How will the loan agreements and operating agreements of OEUC be structured?

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

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

Terms and Conditions with Respect to the \$250 million short term debt. Specifically more information about how it may be used for dividend distribution must be developed to prevent this debt from becoming the source of funding of distribution to investors (BOMA)

18. What should be the terms and conditions of the Master Services Agreement?

19. Should PGE's taxes be calculated for ratemaking purposes on a stand-alone basis or as an allocation of total OEUC taxes?

Should the Commission require PGE to actually pay to government all federal and/or state income taxes that are charged to ratepayers? (URP)

TAXATION. If rates based on costs for taxes are collected, but no taxes paid to a government entity, how should these funds be accounted for and disbursed? What are the consequences of "combined" tax filings? Will PGE OEUC waive any confidentiality otherwise associated with tax returns filed in Oregon? (CCG)

Tax Collection in Rates. It is imperative that there be limitations on how much money is collected in rates for taxes and a cap on how much of that money can be used in any tax avoidance scheme, i.e. offset against loss. (BOMA)

Tax Implications: Our issues involve the tax implications for PGE customers for the holding company arrangement, and the overpayment by PGE customers for the consolidated tax return. (CUB)

20. Should PGE pay taxes on a stand-alone basis or consolidated with OEUC?

21. What cost savings or efficiencies are available as a result of the acquisition?

- How will cost savings be shared equally with all customers?
- Will there be a degradation of service as a result of cost savings and efficiency measures?

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? (ICNU)

Protections for Commercial and Small Industrial Customers. BOMA is concerned that concessions granted to other parties will result in higher rates being charged to Commercial and Small Industrial customers as has happened in the past. These customers (hereafter collectively called “Commercial Customers”) face extraordinary burdens in the current economic situation. These customers have historically borne a greater economic burden in rates, whether for “open access” programs, to support conservation, renewable resource development, or shareholder compensation. If OEUC is to show benefits for this class, it will be necessary to insulate Commercial Customers from being burdened with costs over their pro rata share based upon all customers, including residential. (BOMA)

22. To what extent does the Commission have oversight over a change in investors in and/or control of OEUC?

Internal Investor Arrangements. Without additional information, it is unclear what ability the various groups (OEUC, TPG, TPG investors) have to revise and modify the all of the internal arrangements (not just the Operating Agreement) without Commission approval. BOMA would be interested in requirements to assure that any significant change of any kind be approved by the Commission. That would mean that TPG, for instance, would have to agree to this as a condition of the purchase since the Commission has limited authority over these other entities. (BOMA)

11. Preventing TPG from Exercising Undue Influence over PGE's Operations; In light of TPG's "negative consent" rights over OEUC as PGE's sole shareholder, what conditions can be created to prevent TPG from exercising undue influence over PGE? (COP)

23. Should the Commission grant the application under ORS 757.511?

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

24. If the Commission grants the application, what conditions, if any, should the Commission impose?

- Should conditions be proposed for treating gains realized on the subsequent sale of PGE?

Should the Commission adopt other conditions to protect ratepayers? (URP)

Should the Commission adopt conditions relating to treatment of gains on subsequent sales of PGE or PGE Assets? (HRP)

EQUITABLE OWNERSHIP. What conditions should the Commission adopt now for treatment of gains on subsequent sales of PGE or PGE assets? (CCG)

2. Future sale of PGE transmission and distribution assets; What will be the timing of OEUC/TPG's disposition of this asset? What conditions will protect ratepayers from the risks of the utility being controlled by an owner with admittedly short-term perspectives? (COP)

Given the expressed intentions, what commitments will OEUC and TPG make about the eventual process for divesting of PGE's equity? (COP)

Given that TPG has clearly indicated that it will eventually transfer PGE as an asset, if OEUC/TPG chooses to resell all or part of PGE's transmission and distribution system in the future, will OEUC/TPG agree to offer the City of Portland a right of first refusal to purchase PGE's electricity transmission and distribution? (COP)

TPG's Exit: Our issues relate to TPG's disposition of PGE, including options that will be considered when TPG sells PGE, the effect that each option would have on PGE and its customers, the risks associated with temporary ownership and its related uncertainty, and what conditions the PUC should place on TPG's disposition of PGE. (CUB)

25. What impact does the PERS investment in TPG have on the transaction?

PERS CONFLICTS OF INTEREST. What is the role of the Oregon Investment Council in committing PERS funding, and is such funding in the public interest? Does PERS investment create irreconcilable conflict of interest between State as "investor" and State determining equitable distribution of proceeds of sale between customers and investors? Does aligning PERS interests with other than the general public good create on-going conflicts of interest, and if so, how to eliminate same? (CCG)

14. Protecting PGE Ratepayers from the Possible Influence of PERS: Does the proposed transaction present conflicts with the interests of Oregon customers? In its investment in a fund, which includes the ownership of utility as a corporate asset, PERS interests may not be identical with those of ratepayers. (COP)

What are the ramifications of having the Oregon Public Employee's Retirement System as a major investor in a public utility regulated by the Oregon Public Utility Commission? (AOI)

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? (ICNU)

26. What are the benefits of the proposed "Local Representation" at the PGE and OEUC Board level?

- Are there tangible, measurable benefits to local representation on the PGE board?
- How do the negative consent rights of TPG influence local representation on PGE board?

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? (ICNU)

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

What is the value of local representation on the Board of Directors of PGE given the Consent Rights (veto power) held by TPG Applicants? How does this voting structure serve the customers of PGE? (AOI)

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

Local Representation vs. Local Control. Particularly in light of TPG's ability to trump any decision of the OEUC Board, we must have greater numbers of Oregonians as members with more authority to act independently as currently exists. (BOMA)

Local Representation: Our issues include the adequacy and significance of local representation, the tenuous local control, and the extensive consent rights when there is local control. (CUB)

15. Long Term Assurances of the Benefits of Local Control: The Application particularly refers to the makeup of the OEUC Board will include "prominent local citizens." What assurances exist for in the long-term of Oregonians of equal stature and public esteem being involve in this corporate structure? (COP)

The Application further indicates that if PUCHA is repealed, voting control on the OEUC Board will be redistributed to TPG in proportion to its equity holdings. In that event, how will there be any meaningful "local control" , given the absolute voting control that TPG will wield over PGE's sole shareholder? (COP)

27. How likely is it that OEUC or TPG will be able to receive regulatory approvals from other regulatory bodies?

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

What contingencies, in addition to the Oregon Public Utility Commission review process are involved in this transaction and what is the likelihood of this acquisition being consummated? What protections are appropriate to put in place to protect PGE customers in the event the Applicants' stock purchase agreement is terminated and/or this Application is withdrawn? (AOI)

28. Are there any assurances that PGE will remain a good regional corporate citizen and leader in environmental stewardship and preferred employer in the region?(new)

7. Protection of Local Employees; What assurances will OEUC/TPG provide that PGE will continue to serve the Portland region as an "employer of first choice"? (COP)

Given the growing trend of "outsourcing" jobs to reduce staff costs, what measures can be put in place to provide assurance that OEUC will protect local jobs wherever practical? Does OEUC/TPG anticipate that it will primarily achieve cost efficiencies through workforce reductions? When will OEUC/TPG's intentions be shared? (COP)

OEUC's Position as a regional utility and marketing entity. If this sale occurs, OEUC will be a regional player just as PGE is currently. It will have to decide what role it intends to play with respect to renewable development, transmission access and scheduling, and involvement in BPA resource issues. It would be appropriate to find out what role that TPG sees for the utility and how the sale to TPG (instead of distribution to creditors, sale to others, etc) will support, expand, and facilitate its position in the Northwest for the benefit of ratepayers. (BOMA)

Environment and Public Policy: Our issues include the public policy ramifications of the proposed transaction including the affects that this application will have on the Energy Trust of Oregon, the portfolio of energy options offered to customers, direct access to industrial customers, the Governor's Global Warming initiative, environmental issues relating to the operation of hydroelectric facilities, as well as any legislative agenda TPG or OEUC may have. (CUB)

Timing: Our issues include clarification if the timing and implications of the timing of the selection of the OEUC and PGE boards and the finalization of the credit and loan guarantees. (CUB)

29. What impact, if any, would there be to direct access should this transaction be consummated? How will the acquisition impact the policy direction of Senate Bill 1149?

What impact would approval of the Application have on direct access by PGE? (AOI)

Whether a sustained and continued commitment to the policy direction of Senate Bill 1149 is another issue that will be addressed in this docket. (RNP)

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

Direct Access: What conditions of direct access service should be required as a condition of the acquisition of PGE to facilitate the implementation of SB 1149 and

to serve the public interest. What changes to existing conditions would be recommended by PGE and OEUC in the event the acquisition is completed. (SE)

30. What additional commitments are required in light of existing Code of Conduct and Affiliated Interest restrictions to ensure ratepayers are not harmed due to the Company subsidizing unregulated activities?

Codes of Conduct: What restrictions and conditions will be placed on any potential new unregulated affiliates of PGE as a condition of the acquisition and what changes would be made to the affiliate Code of Conduct in order to serve the public interest. (SE)

Affiliates What plans, if any, do PGE and OEUC have to establish any new unregulated affiliates in the event the acquisition is completed. (SE)

31. What commitments will OEUC and TPG need to make, if any, to provide assurances to the City of Portland that the merger will not affect the City of Portland's ability to control and regulate the public right of way by franchise and that OEUC and PGE will deal with Oregon cities in good faith?

1. Franchise Agreement with City of Portland: What are OEUC and TPG's positions regarding the City of Portland's ability to control and regulate, by modern franchise, PGE's use of and operations within the public right-of-way and other City property? What measures will OEUC and TPG agree to, if any, to provide assurances to the City of Portland that the merger will not affect the City of Portland's ability to control and regulate the public right of way by franchise? What measures are available to provide reasonable assurances that OEUC and TPG will deal with Oregon cities in good faith on these issues? Will OEUC/TPG commit to having PGE develop and enter into a new modern franchise agreement with the City of Portland by December 2004? (COP)

32. What are the ramifications and/or commitments required of PGE and OEUC due to the short-term nature of this transaction?

2. Future sale of PGE transmission and distribution assets; What will be the timing of OEUC/TPG's disposition of this asset? What conditions will protect ratepayers from the risks of the utility being controlled by an owner with admittedly short-term perspectives? (COP)

Given the expressed intentions, what commitments will OEUC and TPG make about the eventual process for divesting of PGE's equity? (COP)

Given that TPG has clearly indicated that it will eventually transfer PGE as an asset, if OEUC/TPG chooses to resell all or part of PGE's transmission and

distribution system in the future, will OEUC/TPG agree to offer the City of Portland a right of first refusal to purchase PGE's electricity transmission and distribution? (COP)

33. PGE has made or will shortly make considerable long-term commitments in the hydropower licensing process. How can the outcome of this proceeding ensure that Oregon Electric Utility Company maintains those commitments and the collaborative approaches adopted to date? (HRC)

CERTIFICATE OF SERVICE

I certify that on June 25, 2004, I served the foregoing upon the parties hereto by sending a true, exact and full copy by electronic mail to:

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