

SECURITIES AND EXCHANGE COMMISSION

(Release No. 35-27971; 70-10250)

Portland General Electric Company

Order Approving the Acquisition of a Coal Handling Facility

May 20, 2005

Portland General Electric Company ("Portland General"), Portland, Oregon, a wholly owned electric utility company subsidiary of Enron Corp. ("Enron"), a registered holding company currently seeking protection under chapter 11 of the U.S. Bankruptcy Code,¹ has filed with the Securities and Exchange Commission ("Commission") an application ("Application") under sections 9(a)(1) and 10 of the Public Utility Holding Company Act of 1935, as amended ("Act"), and rule 54 under the Act. The Commission published notice of the Application,² and has received no requests for intervention.

Portland General proposes to purchase ("Purchase") the assets of the coal handling facility ("Facility") located at its Boardman Coal Plant ("Boardman Plant") in eastern Oregon. Portland General, an Oregon corporation, is engaged in the generation, purchase, transmission, distribution, and retail sale of electricity in the State of Oregon. Portland General also sells electricity and natural gas in the wholesale market to utilities and power marketers located throughout the western United States. As of and for the year ended December 31, 2004, Portland General and its subsidiaries on a consolidated

¹ On March 9, 2004, Enron registered as a holding company under the Act and the Commission issued an order (Holding Co. Act Release No. 10199) approving Enron's plan of reorganization under section 11(f) of the Act.

² Holding Co. Act Release No. 27900 (October 6, 2004).

basis had operating revenues of \$1,454 million, net income of \$92 million, retained earnings of \$637 million, and assets of \$3,403 million.

The Boardman Plant is a coal-fueled plant located in Boardman, Oregon with capacity of 600 MW. Portland General owns a 65% undivided interest in the Boardman Plant and is the operator of the plant. The remaining 35% is owned by Idaho Power Company, Pacific Northwest Generating Cooperative, and General Electric Credit Corporation through Bank of New York (the successor to J Henry Schroeder Bank & Trust Company) (collectively, "Boardman Plant Co-Owners"), none of whom are affiliated with Portland General.

Portland General requests authority to acquire the Facility, consisting of the machinery, equipment, mechanical and electrical equipment, fixtures, tangible personal property and other property, real and personal, constructed and installed for the unloading, transfer, storage, handling and crushing of coal for the Boardman Plant. Currently, Portland General is the sole lessee of the Facility under a lease agreement ("Lease Agreement") under a leverage financing transaction ("Financing Transaction") entered into in 1979. The Facility is owned by a trust ("Trust"), the trustee of which is Wells Fargo Bank N.A. and the beneficiary of which is ICON/Boardman Facility LLC ("Owner Participant"), a participant in the Financing Transaction. Under the Lease Agreement, Portland General is responsible for the operation and maintenance of the Facility.³

³ Under a separate agreement between Portland General and the Boardman Plant Co-Owners, the Boardman Plant Co-Owners pay Portland General their pro-rata share of the lease rent paid by Portland General to the Trust, and Portland General operates and maintains the Facility for its own benefit as well as the benefit of the Boardman Plant Co-Owners.

In January 2004, Portland General extended the Lease Agreement through 2010. Recently, the company and Owner Participant negotiated a cash purchase price for the Facility: \$21,250,000, assuming that the purchase closes by May 28, 2005. Portland General states that ownership of the Facility will be more beneficial than its current lease arrangement. The funds to be used to purchase the Facility will come from Portland General's internally generated cash. The consideration agreed to by the parties was the result of arm's-length negotiation by unaffiliated parties with adequate knowledge of the asset, the relevant market, and other alternatives to the transaction.⁴ Portland General will pay no fees, commissions or other remuneration to the Owner Trustee, the Owner Participant or any other party in connection with the purchase of the Facility. The Owner Participant is responsible for all of its costs and expenses related to the purchase of the Facility and the termination of the Financing Transaction. Portland General will pay the usual and customary costs and expenses of the Owner Trustee, the indenture trustee and the loan participant, the other parties to the Financing Transaction, incurred by them in connection with termination of the Financing Transaction.

Following the Purchase, Portland General will continue to operate and maintain the Facility for the benefit of the Boardman Plant Co-Owners, and the Boardman Plant Co-Owners will continue to pay their pro-rata share of current rate (2005 calendar year) lease rental.⁵

⁴ Portland General states that, as the operator of the Facility for many years, it has extensive experience with the Facility and insight into its value.

⁵ See above, at n.3.

Rule 54 under the Act provides that, in determining whether to approve certain transactions other than those involving exempt wholesale generators ("EWGs") or foreign utility companies ("FUCOs"), the Commission will not consider the effect of the capitalization or earnings of any subsidiary which is an EWG or FUCO if paragraphs (a), (b) and (c) of rule 53 under the Act are satisfied. By order dated March 9, 2004 (Holding Co. Act Release No. 27809, "March 9 Order") (authorizing Enron and its subsidiaries to engage in various transactions necessary to allow them to continue their businesses as both debtors-in-possession and non-debtors), the Commission granted Enron authorization to issue securities for the purpose of financing FUCOs (or to amend the terms of existing financings) and to acquire FUCO securities in connection with financings, settlements and reorganizations. The Commission granted Enron unlimited authority to restructure or refinance existing FUCO investments, but authorized Enron to invest only \$100 million in new FUCO investments ("FUCO Investment Authority"). The purpose of the financing was not to invest significant additional sums in FUCOs, however; it was to support existing FUCO projects to maximize their value for the debtor's estate and to restructure existing financing arrangements as necessary to tailor each financing to the financial condition of the underlying assets. Portland General states that, since the issuance of the March 9 Order, (1) Enron has continued to simplify its corporate structure and sell and liquidate its businesses; and (2) Enron has not used any of the FUCO Investment Authority.

As noted above, the acquisition of the Facility will not be funded by Enron or any subsidiary other than Portland General. Portland General's proposed acquisition of the Facility is not an EWG or FUCO investment and this transaction would not affect Enron's

investments in EWGs or FUCOs or the capitalization or earnings of such companies.

Accordingly, the effect of the capitalization or earnings of any EWG or FUCO subsidiary of Enron on the Enron registered holding company system has no effect on the proposed transaction.

Portland General estimates the fees and expenses associated with the completion of the Purchase to be less than \$4,000 for Trustee administrative charges related to lease termination and approximately \$16,000 for legal and other expenses associated with the transaction. The company states that no state or federal commission, other than this Commission, has jurisdiction over the proposed transaction.

Due notice of the filing of the Application has been given in the manner prescribed by rule 23 under the Act, and no hearing has been requested of or ordered by the Commission. Based on the facts in the record, the Commission finds that the applicable standards of the Act are satisfied and that no adverse findings are necessary.

IT IS ORDERED, under the applicable provisions of the Act and rules under the Act, that the Application, as amended, is granted, subject to the terms and conditions prescribed in rule 24 under the Act.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland
Deputy Secretary