

**SECURITIES AND EXCHANGE COMMISSION**

**(Release No. 35-27995)**

**Filings Under the Public Utility Holding Company Act of 1935, as amended (“Act”)**

**July 6, 2005**

Notice is hereby given that the following filing(s) has/have been made with the Commission under provisions of the Act and rules promulgated under the Act. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendment(s) is/are available for public inspection through the Commission's Branch of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by **July 28, 2005**, to the Secretary, Securities and Exchange Commission, Washington, D.C. 20549-0609, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of facts or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After **July 28, 2005** the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

**Enron Corp., et al. (70-10309)**

Enron Corp. (“Enron” or “Applicant”), 1221 Lamar, Suite 1600, Houston, Texas 77010-1221, a registered holding company, on its behalf and on behalf of its subsidiaries held as of the date of this notice, including Portland General Electric Company (“Portland General”), 121 Salmon Street, Portland, Oregon 97204 , a public utility company (collectively, “Applicants”), have filed an application-declaration (“Application”) with the Commission under sections 6(a), 7, 9(a), 10, 12(b),(c), and (f), 13(b) of the Act and rules 42-46, 52-54, 80-87, and 90-91 under the Act.

**I. Introduction****A. Enron and its Subsidiaries****1. Enron**

Enron is a registered holding company within the meaning of the Act by reason of its ownership of all of the outstanding voting securities of Portland General, an Oregon electric public utility company. From 1985 through mid-2001, Enron grew from a domestic natural gas pipeline company into a large global natural gas and power company. Headquartered in Houston, Texas, Enron and its subsidiaries historically provided products and services related to natural gas, electricity, and communications to wholesale and retail customers.

Commencing on December 2, 2001, and periodically thereafter, Enron and certain of its subsidiaries each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (“Bankruptcy Court”). One hundred eighty (180) Enron-related entities filed voluntary petitions. Enron and its subsidiaries that filed

voluntary petitions are referred to as the “Reorganized Debtors.”<sup>1</sup> Portland General, Enron's sole public utility subsidiary company, did not file a voluntary petition under the Bankruptcy Code and is not in bankruptcy. Likewise, many other Enron-affiliated companies that are operating companies have not filed bankruptcy petitions and continue to operate their businesses.

On March 9, 2004, Enron registered as a holding company under the Act. On that date the Commission issued an order authorizing Enron and certain subsidiaries to engage in financing transactions, nonutility corporate reorganizations, the declaration and payment of dividends, affiliate sales of goods and services, and other transactions needed to allow the applicants to continue their businesses through the time leading up to the expected sale of Portland General at which point Enron would deregister under the Act (“Omnibus Order”).<sup>2</sup> The second order, referred to as the “Plan Order”, authorized the Fifth Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the Bankruptcy Code, dated January 9, 2004 (“Fifth Amended Plan”) under section 11(f) of the Act.<sup>3</sup> The Plan Order also constituted a report on the Fifth Amended Plan under section 11(g) of the Act and authorized the debtors to continue the solicitation of votes of the debtors’ creditors for acceptances or rejections of the Fifth Amended Plan.

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<sup>1</sup> The Portland Debtors are Portland General Holdings, Inc. and Portland Transition Company, Inc. Reorganized Debtors mean the debtors, other than the Portland Debtors, from and after November 17, 2004. As used in this Application, when relief is requested for the Reorganized Debtors, the Portland Debtors shall be deemed included in such request.

<sup>2</sup> Enron Corp., et al., Holding Co. Act Release No. 27809 (March 9, 2004), Enron Corp., et al., Holding Co. Act Release No. 27882 (August 6, 2004) (“Supplemental Order”).

<sup>3</sup> Enron Corp., Holding Co. Act Release No. 27810 (March 9, 2004).

By order, dated July 15, 2004, the Bankruptcy Court confirmed the Supplemental Modified Fifth Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the United States Bankruptcy Code, dated July 2, 2004 (the “Plan”). The Effective Date of the Plan occurred on November 17, 2004. With limited exceptions the Debtors became Reorganized Debtors.

As explained in the Plan Order, the Plan does not provide for Enron to survive in the long term as an ongoing entity with any material operating businesses. Enron's role as a Reorganized Debtor is to hold and sell assets and to manage the litigation of the estates pending the final conclusion of the bankruptcy cases.

On November 17, 2004, the debtors entered into a common equity trust agreement and a Preferred Equity Trust Agreement with Stephen Forbes Cooper LLC, a New Jersey limited liability company (“SFC”).<sup>4</sup> Under the Common Equity Trust Agreement and the Preferred Equity Trust Agreement, SFC acts as a trustee of two trusts formed to hold Enron's Common Stock (the “Common Equity Trust”) and four classes of preferred stock (the “Preferred Equity Trust”), respectively, which were issued pursuant to the Plan on its Effective Date. The beneficiaries of these two trusts are the former holders of Enron’s common stock and four classes of preferred stock that were cancelled on the Effective Date pursuant to the Plan. The interests in such trusts are uncertified, non-voting and non-transferable, except that such interests may be transferred by the laws of descent and distribution. In the highly unlikely event that the value of Enron’s

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<sup>4</sup> SFC has provided management services to the debtors during the course of their bankruptcy. Also, prior to the Effective Date, Stephen Cooper, a member of SFC, has acted as Interim President, Interim Chief Executive Officer and Chief Restructuring Officer of the Company.

assets exceed the amount of its allowed claims under the Plan, Enron will make distributions pursuant to the Plan to the Common Equity Trust and the Preferred Equity Trust based upon the relative rights and preferences of the stock of Enron that such trusts hold, and such trusts will make distributions to the holders of their trust interests. Distributions from the Preferred Equity Trust will be made based upon the relative rights and preferences allocated among its trusts interests. The Common Equity Trust Agreement and the Preferred Equity Trust Agreement do not provide for compensation of SFC as trustee, which compensation is, instead, provided for in the Reorganized Debtor Plan Administration Agreement (the "Plan Administration Agreement").

On November 17, 2004, Enron and certain of its affiliates consummated the sale of 100% of the equity interests of CrossCountry Energy, LLC ("CrossCountry") to CCE Holdings, LLC, a joint venture of Southern Union Company and GE Commercial Finance Energy Financial Services, an affiliate of the General Electric Corporation. CrossCountry was formed in June 2003 to hold interests in and operate Enron's interstate natural gas pipeline assets, including Enron's interest in Transwestern Pipeline Company, Citrus Corp. and Northern Plains Natural Gas Company. CCE Holdings, LLC paid Enron and its affiliates a net cash purchase price of approximately \$2.1 billion.

## **2. Portland General**

Portland General, incorporated in 1930, is a single, integrated electric utility engaged in the generation, purchase, transmission, distribution, and retail sale of electricity in the State of Oregon. Portland General also sells wholesale electric energy to utilities, brokers, and power marketers located throughout the western United States. Portland General's service area is located entirely within Oregon and covers

approximately 4,000 square miles. It includes 52 incorporated cities, of which Portland and Salem are the largest. Portland General estimates that at the end of 2004 its service area population was approximately 1.5 million, comprising about 43% of the state's population. As of December 31, 2004, Portland General served approximately 767,000 retail customers. For the 12 months ended December 31, 2004, Portland General and its subsidiaries had operating revenues of \$1,454 million and net income of \$92 million on a consolidated basis. As of December 31, 2004, Portland General and its subsidiaries had retained earnings of \$637 million and assets of \$3,403 million on a consolidated basis.

### **3. Prisma Energy International Inc.**

Prisma Energy International Inc. ("Prisma") is a foreign utility company ("FUCO"). Prisma is a Cayman Islands limited liability company that was organized on June 24, 2003, for the purpose of acquiring the Prisma assets consisting principally of non-U.S. electric and gas utility businesses and related intercompany loans and contractual rights. Enron and its affiliates have contributed the Prisma assets to Prisma in exchange for shares of Prisma Common Stock commensurate with the value of the Prisma assets contributed. Prisma is engaged in the generation and distribution of electricity, the transportation and distribution of natural gas and liquefied petroleum gas, and the processing of natural gas liquids.

## **II. Requested Authority**

The Applicants request authorization for certain financing, nonutility corporate reorganizations, dividends, affiliate sales of goods and services and related transactions until July 31, 2008 (“Authorization Period”), to allow Enron and its subsidiaries to continue to operate their businesses. In particular, Applicants request authorization for intrasystem extensions of credit, cash management arrangements among Enron group companies other than Portland General, and for the issuance of debt by Portland General. Applicants state that, generally, the authorizations requested extend, during the Authorization Period, the authorizations granted by the Commission in the Omnibus and Supplemental Orders.

### **A. Letters of Credit**

Under the Omnibus Order, as amended by the Supplemental Order, Enron extended or replaced the letters of credit that were outstanding under its Second Amended DIP Credit Agreement (as defined in the Omnibus Order) with a new agreement with Wachovia Bank National Association. Under this agreement, Enron and certain other Reorganized Debtors were authorized to issue letters of credit on a secured basis, in an amount not to exceed \$25 million, in order to replace the existing letters of credit outstanding under the Second Amended DIP Credit Agreement. Applicants, other than Portland General, seek authorization to replace or extend such letters of credit and to enter into one or more new letter of credit agreements for the issuance of letters of credit in an aggregate amount of up to \$25 million, as necessary, during the Authorization Period.

The replacement letters of credit would be cash collateralized and would not be guaranteed by any subsidiaries of Enron, including Portland General. To the extent that a letter of credit is issued on behalf of an Enron subsidiary, such subsidiary would post the cash collateral. The reimbursement obligations in connection with the letters of credit would not be secured by a pledge of Portland General stock under the facilities authorized in this Application. In addition, no letters of credit would be issued on behalf of Portland General.

**B. Enron Cash Management**

Following the Effective Date and consistent with the Plan, Applicants have managed cash on a centralized basis to facilitate implementation of the Plan. In the normal course of operations and as approved by the Amended Cash Management Order issued by the Bankruptcy Court, Enron and its subsidiaries have an active cash management system and overhead cost allocations that result in significant intercompany transactions recorded as intercompany payables, receivables and debt. With respect to activity in which one party is a Reorganized Debtor, an interest rate equal to one month London Interbank Offered Rate (“LIBOR”) plus 250 basis points is charged on outstanding balances. With respect to activity between non-debtors, no interest is charged.

Applicants seek Commission authorization for associate companies, other than Portland General, to continue to borrow and lend funds during the Authorization Period under these terms. Portland General is not a lender to Enron or any other Enron group company and will not make loans under the authorization requested. Applicants maintain

that except as noted below Portland General does not seek authorization in this Application to lend to Enron or any other Enron group company.

**C. Portland General Cash Management Agreements**

Portland General has entered into agreements with its wholly-owned subsidiaries for cash management. Applicants state that the cash management agreements, like typical money pools, permit the efficient use of cash resources. Under the agreements, Portland General periodically transfers from the bank accounts of each subsidiary any cash held in the subsidiary's bank account. If the subsidiary has cash needs in excess of any amount remaining in the account, upon request, Portland General transfers the required amount into the subsidiary's bank account. Portland General does not pay interest on the amounts transferred from a subsidiary's account unless the closing balance of the amount transferred at the end of any month exceeds \$500,000. Any interest paid is at an annual rate of three percent (3%) and is retained by Portland General until returned to the subsidiary to meet its cash needs. All administrative expenses are borne by Portland General. Portland General seeks authorization to continue to perform under such cash management agreements.

**D. Global Trading Contract and Asset Settlement and Sales Agreements**

Certain settlement agreements and asset sales entered into by Enron and its subsidiaries may involve extensions of credit among associate companies subject to section 12(b) of the Act and rule 45(a). Enron's subsidiaries were extensively engaged in retail and/or wholesale trading in various commodities including, but not limited to, energy, natural gas, paper pulp, oil and currencies. Subsequent to the bankruptcy filings, these companies now are engaged in settling these contracts with unaffiliated

counterparties. The settlement agreements often take the form of global contract or asset settlements whereby several Enron subsidiaries seek to settle numerous retail or wholesale trading and related contracts or claims to assets with a group of related counterparties. Settlements of energy trading contracts entered into by Portland General are not addressed in this section. In addition, asset or stock sale agreements may be entered into between Enron and/or its subsidiaries and unaffiliated counterparties. The settlements and sales may involve extensions of credit among associate companies, guaranties and indemnifications. Some of the claims resolved in these settlements are in-the-money to the settling Enron companies (i.e., money is owed to the settling Enron companies). Other claims (which will be resolved through the claims process and result in distributions after the approval of the Plan) are out-of-the money (i.e., money is owed by the settling Enron companies to the settling counterparty companies). Under a settlement agreement, or asset or stock sale agreement, the value associated with a group of contracts or claims may be netted into a single aggregate payment to be paid to or by the appropriate Reorganized Debtor(s) to resolve all claims between the settling Enron companies and the settling counterparty companies. Although undefined at the time of the settlement, each settling company presumably has some right to a portion of the settlement proceeds or a liability for a portion of the settlement payment, so, arguably, collecting or paying the funds centrally would create a form of an intercompany extension of credit. Applicants seek to continue to execute settlement agreements and asset or stock sale agreements in this fashion, as an efficient manner of resolving numerous complex claims and converting them to cash. Applicants state that it would be much less

efficient for the creditors to first litigate the allocation of claims among the numerous Enron subsidiaries and then to negotiate individually with counterparties to settle these claims individually. Any settlement or sale proceeds or costs aggregated as a result of a settlement will be allocated among the Enron companies pursuant to the Plan.

**E. Portland General Financing**

Portland General seeks authorization to issue debt with a maturity of less than one year.<sup>5</sup> Portland General requests authorization to issue short-term debt in the form of bank or other institutional borrowings, bid notes, commercial paper or as otherwise necessary to fund short-term capital requirements.

All issuances of short-term debt would not exceed \$600 million in aggregate principal amount outstanding (“Short-Term Debt Limit”). In addition, Portland General will not issue any additional short-term debt if Portland General's common stock equity as a percentage of total capitalization is less than 30%, after giving effect to the issuance. The effective cost of capital on short-term debt will not exceed competitive market rates available at the time of issuance for securities having the same or reasonably similar terms and conditions issued by similar companies of reasonably comparable credit quality; provided that in no event will the effective cost of capital on short-term debt exceed 500 basis points over the London Interbank Offered Rate (“LIBOR”).

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<sup>5</sup> Portland General is subject to the jurisdiction of the Oregon Public Utility Commission (“OPUC”) with respect to the issuances and sales of securities with maturities of one year or longer. OPUC approval also is required for Portland General to enter into an agreement under which securities are issued for less than one year if the agreement itself has a maturity of more than one year. The issuance of securities by Portland General to finance the utility's business with a maturity of one year or longer would be conducted under OPUC authorization and in reliance on the exemption provided by rule 52(a) under the Act.

Portland General further commits that it would not issue short-term debt under the authorization requested unless, at the time of issuance, (i) the security to be issued, if rated, is rated investment grade, and (ii) all outstanding Portland General securities that are rated are rated investment grade, in each case by at least one nationally recognized statistical rating organization.<sup>6</sup> Applicants request that the Commission reserve jurisdiction over the issuance by Portland General of any short-term debt that is rated below investment grade pending completion of the record.

Portland General has two revolving credit facilities with a group of commercial banks totaling \$150 million, consisting of a \$50 million 364-day facility which expired on May 23, 2005, and a \$100 million three-year facility. Portland General plans to enter into a new unsecured five-year \$400 million revolving credit agreement to replace the 364-day facility and the three-year facility, which will be terminated on execution of the new facility. The facility would allow Portland General to issue letters of credit, in addition to borrowings, totaling up to the full amount of the facility, and will contain a “term out” option that would allow Portland General to extend the final maturity of the facility prior to its initial and each subsequent expiration date for up to an additional year. The new credit facility would be subject to approval by the OPUC. Portland General requests authorization to borrow or issue letters of credit in the aggregate amount of \$400 million under the new facility.

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<sup>6</sup> The term “nationally recognized statistical rating organization” shall have the same meaning as in rule 15c3-1(c)(2)(vi)(F), 17 CFR 240.15c3-1(c)(2)(vi)(F). Investment grade long-term debt is denoted by the Standard & Poor's ratings of AAA, AA, A and BBB, with some ratings also including a + or - to further differentiate creditworthiness. Moody's Investors Service uses the ratings Aaa, Aa, A and Baa to denote investment grade long-term debt.

Portland General also seeks authorization to issue additional short-term debt generally in the form of, but not limited to, borrowings from banks and other institutions, commercial paper and bid notes or as otherwise may be necessary to replace, extend, rearrange, modify or supplement the facilities described above. Portland General may sell commercial paper, from time to time, in established U.S., Canadian or European commercial paper markets.

Within the financing parameters described above, Portland General also may establish bank lines of credit, directly or indirectly through one or more financing subsidiaries. Loans under these lines will have maturities of less than one year from the date of each borrowing. Alternatively, if the notional maturity of short-term debt is greater than 364 days, the debt security will include put options at appropriate points in time to cause the security to be accounted for as a current liability under US generally accepted accounting principles. Portland General also proposes to engage in other types of short-term financing generally available to borrowers with comparable credit ratings and credit profile, as it may deem appropriate in light of its needs and market conditions at the time of issuance, provided that any such issuance of short-term debt complies with the financing parameters included in this Application.

**F. Foreign Assets**

Enron's foreign pipeline, gas and electricity distribution and power generation assets typically have FUCO status or exempt wholesale generator ("EWG") status at the project level. Many of the foreign assets have been transferred into Prisma which also is a FUCO. As noted above, the shares of Prisma may be issued to creditors in connection with the Plan or Prisma may be sold and the proceeds will then be distributed to creditors.

Some Enron group companies, however, are related to the business of Prisma, but may not qualify for FUCO status because they may not directly or indirectly own or operate foreign utility assets. Such companies may, for example, have loans outstanding to a FUCO or a subsidiary of a FUCO. In other cases, such as settlements or asset reorganizations, the securities of a FUCO may be acquired by Enron group companies. Accordingly, Enron and its subsidiaries that are not FUCOs or subsidiaries of FUCOs, excluding Portland General, request authorization under section 33(c) and rule 53(c) under that Act, to issue new securities for the purpose of financing FUCOs and to acquire FUCO securities in connection with financings, settlements and reorganizations. Such authorization would be limited to an aggregate amount of \$100 million in new FUCO investments during the Authorization Period.<sup>7</sup> Authorization to restructure (e.g., to amend the terms of existing financings) or refinance existing FUCO investments would not be limited. In addition, investments made by Prisma and its direct and indirect subsidiaries in foreign energy-related businesses that are not supported by an Enron

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<sup>7</sup> As of June 30, 2005, no new investments in existing FUCOs had been made.

guarantee would be exempt under section 33 and not subject to the limit stated above. Such investments may be made from time-to-time to improve the value of the assets held by Prisma and to acquire the interests of unaffiliated partners in certain foreign utility projects in order to simplify the ownership of such projects.

FUCO financings would be conducted principally to maintain and preserve the value of the foreign assets in the bankruptcy estate and not to develop significant new projects. The proposed FUCO investments, financings and reorganizations would not adversely affect Enron's financial condition and would be entered into consistent with the Plan, as necessary to support the FUCO businesses pending their disposition under the Plan. Portland General will not provide any financing or guarantees in connection with the FUCO-related transactions proposed.

#### **G. The Sale of Nonutility Companies**

The Reorganized Debtors, non-debtor associates, and certain other related companies have completed a number of significant asset sales as part of the process of simplifying the Enron group and assembling assets for eventual distribution to creditors. These asset sales have been completed by numerous Reorganized Debtors, non-debtor associates, and other related companies, and the sale proceeds have, in certain instances, been used to repay indebtedness or other claims, and may be further subjected to a variety of claims from related and unrelated parties.

In most cases, the sale transactions are for all cash consideration. Some sales may involve the acquisition of a security from the purchaser or the company being sold. A security would be accepted only when the transaction could not otherwise be negotiated for all cash consideration. For example, a purchaser may insist on an escrow of part of

the sales proceeds to cover claims that may arise post-sale under an indemnification agreement. To give the seller a secured interest in the escrow, the purchaser would issue a note to the seller in the amount of the escrow with a right to set off amounts due under the note for allowed claims under the indemnification agreement. For the most part, the Reorganized Debtors would seek to convert securities into cash. Any security not converted into cash by the time the assets of the estates are distributed to creditors would reside in the Remaining Assets Trust,<sup>8</sup> and creditors would receive an interest in that liquidating trust.

Indemnifications and guarantees by and between companies in the Enron group also may be part of the sale of nonutility assets, nonutility securities or settlements on claims with third parties. In the case of sales to third parties, Enron would seek to limit indemnifications to no more than the amount of the sale proceeds received by the seller. Applicants request indemnification and guarantee authority to provide them with the flexibility to manage the process of selling the assets of the estates in a manner that would maximize their value.

Applicants seek authorization for transactions involving the acquisition of securities, indemnifications and guarantees described above as they would occur in the context of the sale of any Enron group company (except Portland General) if such sale is in the ordinary course of business of a reorganized debtor and in furtherance of the Plan. In addition, litigation with respect to claims may result in an Enron group company

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<sup>8</sup> As defined more completely under the Plan, the Remaining Assets Trust is one or more entities formed on or after the Confirmation Date (i.e., July 15, 2004) for the benefit of holders of certain allowed claims to hold assets of the Reorganized Debtors other than cash, certain litigation trust claims, Plan Securities and certain other claims and causes of action.

receiving the securities of a party to the litigation as a settlement or a judgment.

Applicants request authorization to acquire securities in this context also, where the litigation is in the ordinary course of business of a Reorganized Debtor. Applicants assert that the transactions proposed would not involve indemnifications or guarantees made by Portland General and would not have an adverse impact on that company.

#### **H. Dividends out of Capital or Unearned Surplus**

Applicants request general relief from the dividend and acquisition, retirement and redemption restrictions under section 12(c) of the Act and the rules under the Act as necessary to continue the administration of the Plan. The relief requested also would apply to partnership distributions to the extent they are from capital and subject to the restrictions under the Act. According to the Applicants, the proposed relief is necessary to reorganize and reallocate value in the Enron group that will ultimately be distributed to creditors. The relief requested would not apply to any transaction involving Portland General.

The Applicants seek an exception from the dividend restrictions under the Act as applied to all nonutility subsidiaries in the Enron group subject to the conditions noted above. The Applicants represent that they will pay dividends and distributions in accordance with applicable law and will comply with the terms of any agreements that restrict the amount and timing of distribution to investors. Applicants request

authorization for the Enron group companies, other than Portland General, to acquire, retire and redeem securities that they have issued.<sup>9</sup>

**I. Simplifying Complex Corporate Structure and Dissolving Existing Subsidiaries**

Enron continues to restructure many of its subsidiaries in conjunction with administering the Plan. Enron also is liquidating or divesting approximately 1,000 surplus legal entities and businesses in which it no longer intends to engage. Eventually, substantially all of the Reorganized Debtors, including Enron, will be liquidated or divested. Applicants state that reorganizing complex structures may involve the creation of new holding companies and liquidating or other trusts formed for the benefit of the Reorganized Debtors' estates and their creditors. In the context of restructuring assets and entities, Enron group companies may receive distributions or other returns of capital and may make capital contributions, share exchanges, guarantees, indemnifications, and other transactions to move companies, assets and liabilities within the Enron group as necessary to implement a less complex and more sound corporate structure and as necessary to implement settlements with third parties or to resolve or recover claims. For

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<sup>9</sup> As of December 31, 2004, Portland General had 219,727 shares of its preferred 7.75% Series Cumulative Preferred Stock (no par value) outstanding. The preferred stock is mandatorily redeemable and is classified as long-term debt in accordance with SFAS No. 150. The preferred stock is redeemable by operation of a sinking fund that requires the annual redemption of 15,000 shares at \$100 per share beginning in 2002, with all remaining shares to be redeemed by sinking fund in 2007. At its option, Portland General may redeem, through the sinking fund, an additional 15,000 shares each year. Open market share purchases can be applied towards the annual redemption requirement. During 2004, Portland General redeemed 30,000 shares, consisting of 15,000 shares for the annual sinking fund requirement and 15,000 additional shares acquired at its option. Should Portland General exercise its right to redeem any of its preferred stock, it would rely on the exemption under rule 42 for the acquisition of stock from unaffiliated entities.

example, a Reorganized Debtor with no cash, but a valuable claim against a third party, may borrow from an associate company (other than Portland General) to fund litigation to resolve or recover a claim. Contracts may be assigned from one subsidiary to another Enron group company or a third party. The assignment of contracts that have value among Enron group companies could be viewed as a dividend or capital contribution.

Portland General is assisting in the sale of the subsidiaries of PGH II, Inc. (“PGH II”), a nonutility Enron subsidiary and, in the case of the sale of substantially all of the assets of the subsidiary, in the winding up and dissolution of the subsidiary. PGH II is a holding company with subsidiaries engaged in telecommunications, district heating and cooling, and real estate infrastructure development and construction. PGH II and its subsidiaries have been managed historically by Portland General. With the exception of the transactions related to these sales, Portland General and its subsidiaries would not be involved in any of the proposed reorganization and simplification transactions.

Applicants seek Commission authorization to restructure, rationalize and simplify or dissolve, as necessary, all of their nonutility businesses and to implement settlements (which may involve transactions as described above regarding substantially all of their remaining direct and indirect assets) as necessary to simplify and restructure their businesses in furtherance of the Plan. As previously requested, Applicants seek authorization to acquire, redeem and retire securities and to pay dividends out of capital and unearned surplus provided that such transactions are consistent with applicable corporate or partnership law and any applicable financing covenants. Applicants also seek authorization to form, merge, reincorporate, dissolve, liquidate or otherwise extinguish companies. Any newly formed entity would engage only in businesses that the

Enron group continues to engage in throughout the administration of the Plan. Further, Applicants seek authorization to restructure, forgive or capitalize loans and other obligations and to change the terms of outstanding nonutility company securities held by other Enron group companies for the purpose of facilitating settlements with creditors, simplifying the business of the group and maximizing the value of the Reorganized Debtors' estates.

**J. Affiliate Transactions**

Applicants request authorization to engage in certain affiliate transactions described below. Portland General has entered into a master service agreement (“MSA”) with certain affiliates, including Enron. The MSA allows Portland General to provide affiliates with the following general types of services: printing and copying, mail services, purchasing, computer hardware and software support, human resources support, library services, tax and legal services, accounting services, business analysis, product development, finance and treasury support, and construction and engineering services. The MSA also allows Enron to provide Portland General with the following services: executive oversight, general governance, financial services, human resource support, legal services, governmental affairs service, and public relations and marketing services. Portland General would provide services to affiliates at cost under the MSA and affiliate services provided to Portland General also would be priced at cost, in accordance with section 13(b) of the Act. If cost based pricing of particular services provided under the MSA would conflict with the affiliate transaction pricing rules of the OPUC, Portland General and Enron would refrain from providing or requesting such services, unless they

have first obtained specific authorization from the OPUC to use cost based pricing for such services.

During 2004 Enron provided certain employee health and welfare benefits, 401(k) retirement savings plan, and insurance coverages to Portland General under the MSA that were directly charged to Portland General based upon Enron's cost for those benefits and coverages. In 2004, Enron passed through to Portland General approximately \$25 million for medical/dental benefits and retirement savings plan matching and \$3 million for insurance coverage. Beginning on January 1, 2005, administration of the medical/dental benefit and retirement savings plan was returned to Portland General from Enron. As a result, Enron no longer passes through costs to Portland General for these services. However, Enron has continued to incur costs related to the resolution of issues associated with the bankruptcy and litigation with regard to certain of the employee benefit plans. Enron bills Portland General for a portion of these costs.

Portland General provides certain administrative services to Enron's subsidiary Portland General Holdings, Inc. ("PGH") and its subsidiaries under the MSA that are allocated or directly charged to PGH and its subsidiaries based upon the cost for those services. The cost of these services for the year 2004 in the aggregate was approximately \$1 million.

The nonutility subsidiaries in the Enron group also are engaged in providing services to one another. Prisma, Enron and certain associate companies have entered into ancillary agreements, including Transition Services Agreements, a tax matters agreement,

and a Cross License Agreement.<sup>10</sup> The employees of Enron and its associates who have been supervising and managing the Prisma Assets since December 2001, became employees of a subsidiary of Prisma effective on or about July 31, 2003. As approved by the Bankruptcy Court, Enron and its associates entered into four separate Transition Services Agreements pursuant to which such employees continue to supervise and manage the Prisma Assets and other international assets and interests owned or operated by Enron and its associates. These ancillary agreements, together with the Prisma Contribution and Separation Agreement,<sup>11</sup> govern the relationship between Prisma and Enron, provide for the performance of certain interim services, and define other rights and obligations until the distribution of shares of capital stock of Prisma pursuant to the Plan or the sale of the stock to a third party.

Applicants, other than Enron, that are providing goods and services at terms other than cost to associate companies, other than Portland General, also seek an exemption under section 13(b) from the at cost rules under the Act through the Authorization Period to the extent that rule 91(d) does not exempt such transactions. Applicants state that

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<sup>10</sup> The Cross License Agreement between Enron and Prisma permits each entity to continue to use certain intellectual property such as computer software necessary to operate and maintain systems after the separation of Prisma from the Enron group.

<sup>11</sup> On August 31, 2004, Enron, certain of its debtor affiliates and Prisma executed a Contribution and Separation Agreement, which provided for the contribution of certain assets to Prisma in exchange for Prisma shares. The form of the Contribution and Separation Agreement had been previously approved by the Bankruptcy Court. The contributed assets included equity interests in international energy infrastructure projects, inter-company receivables relating to these assets and infrastructure (telephones, computers, video conferencing equipment, etc.) in use by Prisma at the time of the execution of the agreement and required by Prisma to effectively own and manage the assets.

these transactions are in the ordinary course of business and would not involve Portland General.

**K. Tax Allocation Agreements**

The Omnibus Order authorized Enron to enter into an agreement with Portland General for the payment and allocation of tax liabilities on a consolidated group basis. Enron entered into such an agreement whereby Portland General is responsible for the amount of income tax that Portland General would have paid on a “stand alone” basis, and Enron is obligated to make payments to Portland General as compensation for the use of Portland General's losses and/or credits to the extent that such losses and/or credits have reduced the consolidated income tax liability. It is contemplated that the existing tax allocation agreement with Portland General may be amended to provide that Enron would pay Portland General for certain Oregon state tax credits generated by Portland General but not used on the consolidated Oregon tax return. Enron and Portland General also seek authorization to amend the Portland General tax allocation agreement accordingly.

Under the agreement, Enron is responsible for, among other things, the preparation and filing of all required consolidated returns on behalf of Portland General and its subsidiaries, making elections and adopting accounting methods, filing claims for refunds or credits and managing audits and other administrative proceedings conducted by the taxing authorities. Enron and Portland General will continue to be parties to this tax sharing agreement, or a new agreement on similar terms, until Enron and Portland General no longer file consolidated tax returns. It is intended that Enron and Portland General will file consolidated tax returns until Enron no longer owns 80% of the capital

stock of Portland General. Applicants state that the consolidated tax filing agreement does not technically comply with rule 45(c) under the Act because Enron shares in the tax savings from the consolidation ratably with Portland General. In particular, to the extent Enron's losses or tax credits reduce the consolidated tax liability, Enron would retain the resulting tax savings. Enron and Portland General seek authorization to continue to perform under such agreement or a new agreement under similar terms. Under such agreement, the consolidated tax liability for each taxable period would be allocated to Enron, Portland General and its subsidiaries in proportion to the corporate taxable income of each company, provided that the tax apportioned to any company shall not exceed the separate return tax of such company.

Enron also has entered into a tax matters agreement with Prisma. Applicants state that the Prisma tax matters agreement is not an agreement to file a consolidated tax return or to share a consolidated tax liability within the meaning of rule 45(c), but rather it is an agreement for Enron to prepare and file all required returns that relate to Prisma and its subsidiaries and for Prisma to cooperate therewith. In addition, Prisma agrees to make dividend distributions to its shareholders in certain minimum amounts (to the extent of available cash) for so long as Enron or any affiliate or the Disputed Claims Reserve<sup>12</sup> is required to include amounts in income for federal income tax purposes in respect of the ownership of Prisma shares.

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<sup>12</sup> The Disputed Claims Reserves, as more fully defined in the Plan, are trusts/escrows held by the disbursing agent for the benefit of each holder of a disputed claim and an allowed claim, consisting of cash, Plan securities, operating trust interests, other trust interests and any dividends, gains or income attributable thereto. The Disbursing Agent, also defined in the Plan, is the agent appointed by the Bankruptcy Court to effectuate distributions pursuant to the Plan.

**L. Form U-6B-2**

The Applicants also seek authorization to report any debt issued under rule 52 on the Rule 24 report for the corresponding quarter in lieu of filing a form U-6B-2.

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

Jill M. Peterson  
Assistant Secretary