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August 10, 2005

Annette Taylor
Oregon Public Utility Commission
Administrative Hearings Division
P. O. Box 2148
Salem, Oregon 97308-2148

Re: **UF 4218 / UM 1206**

Dear Ms. Taylor:

Enclosed for filing in the above-referenced dockets are the original and five copies each of the following testimonies:

- Testimony of James J. Piro and Mitchell S. Taylor, PGE-SFC(RDC)/100
- Testimony of Elizabeth Kardos, PGE-SFC(RDC)/200
- Testimony of Michael P. Rogan and Thomas P. Palmer, PGE-SFC(RDC)/300

The testimony of Michael P. Rogan and Thomas P. Palmer, PGE-SFC(RDC)/300, is foundational testimony that describes the rights and obligations of PGE, its shareholders, its board of directors, and its officers, that will apply after the issuance of the New PGE Common Stock under Oregon law, the Federal securities laws, and the rules of a national stock exchange. This testimony is submitted because the Commission has not previously exercised its authority under ORS 757.511 in circumstances in which an applicant, or group of applicants, own and control less than 100% of the common stock of the utility, the utility's common stock is publicly traded, and some shareholders have purchased their shares in the open market.

Enclosed also for filing in the above-referenced dockets are the original and five copies of a Request for Official Notice requesting that the Commission take official notice of the Plan, Plan Supplement and all Schedules and Exhibits thereto as referenced in the Application filed in these dockets.

Please contact the undersigned with any questions regarding this filing.

Yours truly,

Michael M. Morgan
for Stephen Forbes Cooper, LLC

Barbara W. Halle
for Portland General Electric Company

ps
Enclosures
cc: Service Lists

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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4218 / UM 1206

In the Matter of the Application of PORTLAND GENERAL ELECTRIC COMPANY for an Order Authorizing the Issuance of 62,500,000 Shares of New Common Stock Pursuant to ORS 757.410 et seq. **UF 4218** and In the Matter of the Application of STEPHEN FORBES COOPER, LLC, as Disbursing Agent, on behalf of the RESERVE FOR DISPUTED CLAIMS, for an Order Allowing the Reserve for Disputed Claims to Acquire the Power to Exercise Substantial Influence over the Affairs and Policies of Portland General Electric Company Pursuant to ORS 757.511 **UM 1206**	

TESTIMONY OF

JAMES J. PIRO AND MITCHELL S. TAYLOR

ON BEHALF OF APPLICANTS

PORTLAND GENERAL ELECTRIC COMPANY

AND

STEPHEN FORBES COOPER, LLC (as Disbursing Agent)

ON BEHALF OF THE RESERVE FOR DISPUTED CLAIMS

August 10, 2005

This testimony is submitted on behalf of Portland General Electric Company (PGE) and Stephen Forbes Cooper, LLC as Disbursing Agent for the Reserve for Disputed Claims (Reserve). With the correction noted below, we sponsor and adopt as our testimony in this matter the Application of PGE and Stephen Forbes Cooper, LLC as Disbursing Agent on behalf of the Reserve dated June 17, 2005, and filed in this proceeding (the "Application") and all exhibits filed with such Application, with the exception of the paragraph in lines 7 through 16, page 20, of the Application and Exhibits 18 and 19 to the Application, which are being sponsored by Elizabeth Kardos. At page 25, lines 6 and 7, of the Application, PGE estimated that the one-time costs of issuing the New PGE Common Stock and listing the stock on a national stock exchange will be less than $650,000. PGE now estimates that those costs will be approximately $2 million. PGE and its shareholders, not its customers, will bear these one-time costs.

Qualifications of James J. Piro

My name is James P. Piro. I received a Bachelor of Science degree from Oregon State University in Civil Engineering in 1974 with an emphasis in Structural Engineering. In addition, I have taken graduate courses in engineering, accounting, economics, and rate making. I am a registered Professional Engineer in Civil Engineering in the State of California (Registration No. 28174). I joined Portland General Electric in 1980 and have held various positions in Generation Engineering, Economic Regulation, Financial Analysis and Forecasting, Power Contracts, Economic Analysis, Planning Support, Analysis and Forecasting, and Business Development. I was elected Vice President of Business Development in 1998 and then became Chief Financial Officer and Treasurer on November 1, 2000. I was then named Senior Vice President, Finance, Chief Financial Officer and Treasurer on May 1, 2001, and entered my current position as Executive Vice President, Finance, Chief Financial Officer and Treasurer effective July 25, 2002.

Qualifications of Mitchell S. Taylor

My name is Mitchell S. Taylor. I am a Managing Director--Corporate Development of Enron Corp., reporting to the Office of the Chief Executive. Since 2002, I have been co-lead of Corporate Development, an organization of up to 20 professionals responsible for developing and executing strategies for restructuring of $11 billion of assets for Enron and its affiliates' bankruptcy estates. I was responsible for overseeing the Bankruptcy Court approval processes for various transactions for the bankruptcy estates. I am a member of the Management Committee for Enron Corp.

I have worked for Enron Corp. since 1993, holding various positions in Finance and Mergers and Acquisitions. Prior to that, I was a Vice President at Chase Manhattan Bank, serving as a corporate finance officer responsible for investment and commercial banking services to the energy industry. Prior to working at Chase Manhattan Bank, I was a reservoir engineer for Chevron.

I received a Bachelor of Arts degree from Baylor University in 1980, a Bachelor of Science in Petroleum Engineering from Texas A&M University in 1982 and a Masters of Business Administration from the University of Chicago Graduate School of Business in 1988.

This concludes our testimony.

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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4218 / UM 1206

In the Matter of the Application of PORTLAND GENERAL ELECTRIC COMPANY for an Order Authorizing the Issuance of 62,500,000 Shares of New Common Stock Pursuant to ORS 757.410 et seq. **UF 4218**

and

In the Matter of the Application of STEPHEN FORBES COOPER, LLC, as Disbursing Agent, on behalf of the RESERVE FOR DISPUTED CLAIMS, for an Order Allowing the Reserve for Disputed Claims to Acquire the Power to Exercise Substantial Influence over the Affairs and Policies of Portland General Electric Company Pursuant to ORS 757.511 **UM 1206**

TESTIMONY OF

JAMES J. PIRO AND MITCHELL S. TAYLOR

ON BEHALF OF APPLICANTS

PORTLAND GENERAL ELECTRIC COMPANY

AND

STEPHEN FORBES COOPER, LLC (as Disbursing Agent)

ON BEHALF OF THE RESERVE FOR DISPUTED CLAIMS

August 10, 2005

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This concludes our testimony.

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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4218 / UM 1206

In the Matter of the Application of PORTLAND GENERAL ELECTRIC COMPANY for an Order Authorizing the Issuance of 62,500,000 Shares of New Common Stock Pursuant to ORS 757.410 et seq. **UF 4218**

and

In the Matter of the Application of STEPHEN FORBES COOPER, LLC, as Disbursing Agent, on behalf of the RESERVE FOR DISPUTED CLAIMS, for an Order Allowing the Reserve for Disputed Claims to Acquire the Power to Exercise Substantial Influence over the Affairs and Policies of Portland General Electric Company Pursuant to ORS 757.511 **UM 1206**

TESTIMONY OF

ELIZABETH KARDOS

ON BEHALF OF APPLICANTS

PORTLAND GENERAL ELECTRIC COMPANY

AND

STEPHEN FORBES COOPER, LLC (as Disbursing Agent)

ON BEHALF OF THE RESERVE FOR DISPUTED CLAIMS

August 10, 2005

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Qualifications of Elizabeth Kardos

My name is Elizabeth Kardos. I am the General Counsel of Kroll Zolfo Cooper, LLC and Stephen Forbes Cooper, LLC. I was admitted to practice law in New Jersey in 1991, in Washington D.C in 1996 and in New York in 1998. I have been General Counsel of Kroll Zolfo Cooper, LLC since May 2002. Prior to joining Kroll Zolfo Cooper, LLC, I practiced law for 12 years with the law firm of Gibbons, Del Deo, Dolan, Griffinger & Vecchione, P.C., specializing in bankruptcy and insolvency law.

This concludes my testimony.

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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4218 / UM 1206

In the Matter of the Application of PORTLAND GENERAL ELECTRIC COMPANY for an Order Authorizing the Issuance of 62,500,000 Shares of New Common Stock Pursuant to ORS 757.410 et seq. **UF 4218**

and

In the Matter of the Application of STEPHEN FORBES COOPER, LLC, as Disbursing Agent, on behalf of the RESERVE FOR DISPUTED CLAIMS, for an Order Allowing the Reserve for Disputed Claims to Acquire the Power to Exercise Substantial Influence over the Affairs and Policies of Portland General Electric Company Pursuant to ORS 757.511 **UM 1206**

TESTIMONY OF

ELIZABETH KARDOS

ON BEHALF OF APPLICANTS

PORTLAND GENERAL ELECTRIC COMPANY

AND

STEPHEN FORBES COOPER, LLC (as Disbursing Agent)

ON BEHALF OF THE RESERVE FOR DISPUTED CLAIMS

August 10, 2005

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This concludes my testimony.

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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4218 / UM 1206

In the Matter of the Application of PORTLAND GENERAL ELECTRIC COMPANY for an Order Authorizing the Issuance of 62,500,000 Shares of New Common Stock Pursuant to ORS 757.410 et seq. **UF 4218**

and

In the Matter of the Application of STEPHEN FORBES COOPER, LLC, as Disbursing Agent, on behalf of the RESERVE FOR DISPUTED CLAIMS, for an Order Allowing the Reserve for Disputed Claims to Acquire the Power to Exercise Substantial Influence over the Affairs and Policies of Portland General Electric Company Pursuant to ORS 757.511 **UM 1206**

TESTIMONY OF

MICHAEL P. ROGAN AND THOMAS P. PALMER

ON BEHALF OF APPLICANTS

PORTLAND GENERAL ELECTRIC COMPANY

AND

STEPHEN FORBES COOPER, LLC (as Disbursing Agent)

ON BEHALF OF THE RESERVE FOR DISPUTED CLAIMS

August 10, 2005

Introduction

This testimony is submitted on behalf of Portland General Electric Company ("PGE" or the "Company") and Stephen Forbes Cooper, LLC as Disbursing Agent for the Reserve for Disputed Claims (the "Reserve") and addresses the structure and management of corporate entities; the fiduciary duties of directors and officers and controlling shareholders; the election of directors and other shareholder action; disclosure obligations of public companies, including prohibitions on selective disclosure of material information and insider trading; reporting of beneficial ownership of large shareholders; and relevant corporate governance requirements of the New York Stock Exchange and The Nasdaq Stock Market, Inc. Although the discussion of the management structure of the corporate entity and the duties, including fiduciary duties, and rights of shareholders, directors and officers includes certain references to Oregon law, it is intended to provide a general overview of state corporate law on these concepts. PGE is incorporated in Oregon and, therefore, specific application of these concepts to PGE is subject to Oregon case law interpreting these rights and duties. Furthermore, we note that the repeal of the Public Utility Holding Company Act of 1935 under the recently enacted Energy Policy Act of 2005 does not affect any of the corporate law or Securities and Exchange Act rules referred to in this testimony.

The Corporate Entity

What are the rights and responsibilities of shareholders of a corporation?

A corporation is owned by its shareholders. The principal functions of shareholders are to elect directors and to approve extraordinary corporate actions and transactions. Shareholder rights with respect to control of the corporation are traditionally asserted by voting at shareholder meetings or by written consent without a meeting, when permitted. With respect to voting rights, in the usual case, all common shares are equal, with each share entitled to one vote for each matter, including the election of directors, absent provision to the contrary. Shareholder approval is required for extraordinary corporate matters, such as amendments to the articles of incorporation, sale or lease of assets not in the ordinary course of business, merger, consolidation and dissolution. In addition, under stock exchange rules, shareholders are required to vote on certain issuances of the corporation's stock and certain stock-based compensation plans.

Shareholders do not play a role in the day-to-day activities of the corporation, and do not have the general ability to determine corporate policy, approve or disapprove day-to-day actions of a corporation, or otherwise manage the business of the corporation. Shareholders invest in the corporation with the expectation that the board of directors will manage the enterprise so far as its ordinary business is concerned. Shareholders elect the directors to oversee the corporation's activities and determine corporate policy, and the directors appoint officers to manage the corporation's day-to-day activities and to execute the policies determined by the board of directors.

What are the responsibilities of the board of directors with respect to the operations of a corporation?

Pursuant to Section 60.301 of the Oregon Business Corporation Act ("OBCA"), the business and affairs of a corporation are managed by, or under the direction of, the board of directors. In the exercise of their management function, directors are required to use their best judgment and independent discretion. Directors are responsible for determining corporate policy, usually including (1) policy decisions with respect to products, services, prices, wages and labor relations; (2) selection, supervision and removal of officers; (3) setting executive compensation, pension and retirement plans; (4) determination of dividends, financing and capital changes; (5) delegation of authority for administrative and possibly other action; (6) adoption and amendment of bylaws; (7) participation, along with shareholders, in approving extraordinary corporate matters, such as mergers, dissolution and the sale of all or substantially all of the corporation's assets; and (8) supervision and vigilance for the welfare of the entire enterprise. The board may delegate to a committee of the board responsibility for any actions not specifically reserved for the entire board under state corporation law. Although the board is ultimately responsible for all actions of the corporation, the board may delegate day-to-day management responsibilities to officers of the corporation.

What are the responsibilities of officers with respect to the operations of a corporation?

Pursuant to Sections 60.371 and 60.381 of the OBCA, officers are appointed and removed by the board of directors, which delegates to them authority to execute the company's business plan and administer the policies determined by the board of directors. The management functions of officers are also conferred pursuant to state statute, the bylaws or resolutions of the board. Apart from such express delegation, officers also have implied authority arising out of their office. Officers are responsible for the day-to-day operations of the corporation and for providing appropriate information to the board so that the board may exercise its supervisory functions effectively.

Fiduciary Duties

What duties are owed by directors and officers to the corporation and its shareholders?

Directors and officers owe fiduciary duties to the corporation and all of its shareholders. Consistent with Sections 60.357 and 60.377 of the OBCA, they have a duty to perform their functions in good faith, in a manner that they reasonably believe to be in the best interests of the corporation, and with the care that an ordinarily prudent person would reasonably be expected to exercise in a like position and under similar circumstances. These duties are often described as the duty of care, the duty of loyalty and the duty of good faith and are discussed below. In practice, these duties may overlap. If a director or officer satisfies these duties, his or her decisions are generally protected by the business judgment rule.

To whom are these fiduciary duties owed?

Directors and officers owe fiduciary duties to the corporation and all of its shareholders, regardless of whether the directors were designated or appointed by any particular group of shareholders, and regardless of the level of the shareholder's ownership in the corporation.

In what situations are fiduciary duties an issue?

Situations in which fiduciary duties are at issue may involve, among other things: (1) competing with the corporation, (2) usurpation of a corporate opportunity, (3) having a personal interest which conflicts with the interests of the corporation or shareholders as a whole, (4) insider trading, (5) authorizing a transaction which oppresses minority shareholders, and (6) the purchase and sale of control of the company.

What is the duty of care?

Generally stated, the duty of care requires directors and officers to act in an informed and considered manner. Accordingly, directors and officers must inform themselves, prior to making a business decision, of all information reasonably available to them, and then once becoming so informed, they must act with requisite care in discharging their duties. Under Sections 60.357 and 60.377 of the OBCA, directors and officers are entitled when discharging their duties to rely in good faith on information, opinions, reports and statements presented to the corporation by any of the corporation's officers or employees, or committees of the board of directors, or other persons (including outside advisors) as to matters the directors reasonably believe are within such other persons' professional or expert competence.

What is the duty of loyalty?

The duty of loyalty generally requires directors and officers to act without self-interest and in a manner which the director honestly believes is in the best interests of the corporation and its shareholders. Directors and officers must refrain from fraudulent conduct, self-dealing and actions that serve to entrench them in office. This duty requires directors and officers to act without personal financial self-interest and without personal or private motive, even if non-financial in nature. It further requires that directors be independent, so that their decision-making is based on the merits of the matter before the board, rather than on outside influences. Directors who have a personal, material interest in a decision that is different from the other members of the board should make adequate disclosure of material interests and facts to the other members of the board and generally should abstain from board decisions.

What is the duty of good faith?

The duty of good faith generally requires directors and officers to act in good faith – with the honest belief that their action taken was in the best interests of the corporation and its shareholders. Bad faith of a director or officer implies more than bad judgment or negligence and relates to the state of mind of such person. Directors and officers do not act in good faith when they knowingly make material decisions without adequate information and without adequate deliberation.

What duties do directors and officers owe to minority shareholders?

Directors and officers owe fiduciary duties to the corporation to exercise unbiased judgment in the best interests of the corporation as a whole and must abide by standards of good faith and fair dealing with respect to minority shareholders. The leading Oregon case in this area is *Zidell v. Zidell Dismantling, Inc.*, 560 P.2d 1086, 1089 (Or. 1977), which held that "[T]hose in control of corporate affairs have fiduciary duties of good faith and fair dealing toward the minority shareholders." In addition, several Oregon cases, including *Baker v. Commercial Body Builders*, 507 P.2d 387, 394 (Or. 1973), *Chiles v. Robertson*, 767 P.2d 903, 911 (Or. Ct. App. 1989) and *Lee v. Mitchell*, 953 P.2d 414, 424 (Or. Ct. App. 1998), have held that directors and senior executive officers owe the same fiduciary duties of loyalty, good faith, fair dealing and full disclosure owed by majority shareholders to minority shareholders. Any attempt by directors and officers to favor one shareholder, such as a majority shareholder like the Reserve, or group of shareholders to the detriment of another breaches such duties to the corporation.

Does a controlling shareholder owe a fiduciary duty to minority shareholders?

A controlling shareholder (considered to be a shareholder who either owns a majority interest in or exercises control over the corporation) owes a fiduciary duty to the minority shareholders with respect to corporate affairs based on equitable principles that one who holds a position of superiority and influence is a fiduciary. Oregon courts have held that controlling shareholders owe "fiduciary duties of loyalty, good faith, fair dealing, and full disclosure" to minority shareholders. *Naito v. Naito*, 35 P.3d 1068, 1079 (Or. Ct. App. 2001); *Chiles v. Robertson*, 767 P.2d 903, 911 (Or. Ct. App. 1989); *Delaney v. Georgia Pacific Corp.*, 564 P.2d 277, 281 (Or. 1977). As a controlling shareholder, the Reserve must fulfill these fiduciary duties to PGE's minority shareholders. Generally, these duties manifest themselves in situations where the controlling shareholder wishes to enter into a transaction with the corporation, or wishes to have the corporation take actions which disproportionately benefit the controlling shareholder. Where a sale of control involves a breach of duty to the minority shareholders, the minority shareholders can recover their proportionate interest in any profits.

What is the business judgment rule and how does it relate to directors' and officers' fiduciary duties?

The business judgment rule is a judicial presumption that directors and officers make their decisions in good faith, on the basis of a reasonable investigation and after careful consideration of all facts and circumstances they believe to be relevant, in accordance with what they honestly believe to be the best interests of the company's shareholders. The effect of this presumption when applied by a court is that the court will not substitute its judgment (*i.e.,* "second guess") the judgment of directors or officers, unless a plaintiff shows by a preponderance of the evidence that the directors' or officers' decision involved a breach of fiduciary duty, including acting with gross negligence, recklessness or bad faith or when a majority of directors is either "interested" in the decision or lacks independence on the matter.

Sections 60.357 and 60.377 of the OBCA provide that directors and officers will not be liable for a breach of their duty of care if they perform their duties in compliance with the requirements of these sections. In addition, the Oregon Supreme Court has held that "[i]f there are plausible business reasons supportive of the decision of the board of directors, and such reasons can be given credence, a Court will not interfere with a corporate board's right to make that decision." *Zidell v. Zidell Dismantling, Inc.*, 560 P.2d 1086, 1089 (Or. 1977).

What are the consequences if a director, officer or controlling shareholder is found to have breached an applicable fiduciary duty?

State law provides remedies for breaches of fiduciary duty. For example, in the context of a self-dealing transaction involving a breach of the duty loyalty, such transactions are voidable at the election of the corporation, either in a direct action by the corporation or in a derivative suit (generally initiated by shareholders on behalf of the corporation). The general remedy is rescission, which returns the parties to their original position prior to the transaction.

In the case of an alleged breach of the duty of care, if a shareholder or other challenger overcomes the business judgment presumption and shows that the board's decision was uninformed or lacked a rational basis, any director who participated in the decision may be liable for a breach of the duty of care.

Is a board required or permitted to consider the interests of constituencies other than the shareholders when making decisions?

Some states, including Oregon, have enacted statutes that permit (and some states require) directors to consider the interests of constituencies other than shareholders and even the interests of society as a whole when making decisions regarding the corporation. Section 60.357 of the OBCA provides that "[w]hen evaluating any offer of another party to make a tender or exchange offer for any equity security of the corporation, or any proposal to merge or consolidate the corporation with another corporation or to purchase or otherwise acquire all or substantially all the properties and assets of the corporation, the directors of the corporation may, in determining what they believe to be in the best interests of the corporation, give due consideration to the social, legal and economic effects on employees, customers and suppliers of the corporation and on the communities and geographical areas in which the corporation and its subsidiaries operate, the economy of the state and nation, the long-term as well as short-term interests of the corporation and its shareholders, including the possibility that these interests may be best served by the continued independence of the corporation, and other relevant factors."

Election of Directors and Other Shareholder Action

How are directors nominated for election to PGE's board?

PGE intends to form a Nominating and Corporate Governance Committee in advance of the distribution date of its new common shares. Each year PGE's Board, upon the recommendation of its Nominating and Corporate Governance Committee, will nominate individuals to be considered for election or re-election by the Company's shareholders at the Company's annual meeting of shareholders. In making its nominations, the Board and Nominating and Corporate Governance Committee will follow specific processes that will be disclosed to shareholders in the Company's annual meeting proxy statement, which is discussed in more detail below. The Board may also consider individuals recommended by shareholders. Although the Company is required to provide disclosure concerning the Board's policies in this respect, the Board is under no obligation to include such shareholder-recommended individuals on the Board's slate of director nominees.

When are directors elected?

Section 60.307 of the OBCA requires the election of directors every year, except under certain circumstances. Since the Company's fiscal year ends on December 31, the Company will generally schedule its annual meeting of shareholders for the election of directors between March and June of each year. The annual meeting is generally held between 30-45 days after a proxy statement is filed with the SEC and mailed to shareholders. If the distribution of PGE's new common shares occurs in 2006 as is currently anticipated, PGE would not be required to hold its first annual meeting of shareholders until 2007.

How are directors elected?

PGE shareholders are entitled to one vote per common share in the election of directors. Shareholders entitled to vote have the right to be present and to vote in person or by proxy at an annual meeting. The proxy holder (generally an officer of the corporation) is the shareholder's agent for voting purposes. A general proxy authorizes the proxy holder to vote on all matters properly coming before the shareholder meeting, including the election of directors.

Directors are elected by a plurality vote, which means that the director nominees receiving the highest number of votes (either from shareholders present at the meeting or through previously received proxies) are elected as directors to hold office until the next annual meeting, regardless of whether a candidate receives the vote of a majority of the votes cast.

What is the proxy statement and what information does it contain?

Pursuant to rules under the Securities Exchange Act of 1934 (the "Exchange Act"), whenever proxies are solicited from the Company's shareholders in connection with actions requiring a shareholder vote, *e.g.,* the election of directors, the Company must distribute to its shareholders, and file publicly with the SEC, a proxy statement containing detailed information about the Company, its Board of Directors and management and the matters to be voted upon. The proxy statement must disclose, among other things, information regarding: (1) the date, time and place of meeting, (2) any interest of officers, directors and nominees in the solicitation; (3) voting procedures as to each matter submitted to a vote of shareholders; (4) securities entitled to vote and stock ownership of certain beneficial owners and management; (5) information regarding executive officers and directors and director nominees, including employment history, compensation and any related party transactions with the company; (6) corporate governance matters, including director independence, whether the company has standing audit, nominating and compensation committees, and if so, the members, purpose or function, and number of meetings held by each during previous fiscal year; and (7) information regarding the company's independent registered public accounting firm and the composition of its fees for the preceding year. The proxy statement is filed with the SEC and mailed to all shareholders and is publicly available through the SEC's website.

How can a shareholder make sure that its slate of board candidates is considered by shareholders for election as directors at the annual meeting of shareholders?

If any shareholder wishes to nominate its own slate of individuals for election as directors at the annual meeting, for some or all of the Board seats up for election, and have such candidates fully considered by all shareholders (an action known as a "proxy fight"), such shareholder must file its own proxy materials with the SEC and mail to all shareholders the proxy materials soliciting proxies for their director candidates. Shareholders must spend their own money to finance their efforts. The cost of preparing, filing and mailing proxy materials (and otherwise complying with the SEC's proxy rules) is substantial and generally renders a proxy fight an undesirable alternative for most shareholders wishing to ensure that their candidates get full consideration.

Under PGE's Bylaws, a shareholder may also nominate a candidate for election as a director from the floor at the annual meeting. Such candidate would not have been included in the proxy statement and, therefore, would not have been considered by all shareholders who voted by proxy. For the nominee to be elected to one of the fixed board seats, he or she would have to receive more votes from shares present in person at the annual meeting than votes cast for at least one of the Board's nominees included in the proxy statement. Under typical circumstances, the vast majority of shares would have previously been voted by proxy, which would make it exceptionally difficult for the floor-nominated candidate to be elected. It must be noted, however, that as long as the Reserve is a majority shareholder, it would have the technical ability to elect a nominee from the floor at an annual meeting if it had not previously voted its shares by proxy or had subsequently validly revoked its proxy.

Who may call a special meeting of shareholders?

Under Section 2.2 of PGE's Bylaws (the "Bylaws") and consistent with section 60.204 of the OBCA, a special meeting of shareholders may be called by the Company's Chairman of the Board, Chief Executive Officer, President, or by the Board of Directors. A special meeting of shareholders may also be called at the request of a shareholder or shareholders owning at least 10% of the Company's voting power. The requesting shareholders are required to sign, date and deliver to the Company's Corporate Secretary a written demand describing the purpose or purposes for holding the special meeting.

What is the timeframe associated with a special meeting?

As set forth in Section 2.4 of the Bylaws, if a special meeting is called, written notice stating the date, time, place and purpose of the special meeting must be mailed to each shareholder entitled to vote at the meeting between 10 and 60 days before the date of the special meeting, regardless of whether the special meeting is called by the Company or by shareholders.

What matters may be considered at a special meeting of shareholders?

In accordance with Section 3.13 of the Bylaws, any matter that may properly be brought before the shareholders, including the election of directors, may be considered at a special meeting of shareholders. Directors may be removed, with or without cause, by a vote of shareholders at a special meeting if the special meeting is called expressly for that purpose.

What vote is required at a special meeting of shareholders?

PGE's bylaws impose a number of requirements in order for shareholders to take action at a special meeting. Section 2.8 of the Bylaws requires that, for any action to be taken at a special meeting, a quorum of at least a majority of the Company's voting power must be present. In order to remove a director, the number of votes cast to remove the director must exceed the number of votes cast against removal, as set forth in Section 3.13 of the Bylaws. In order to take any other action that may properly be taken at a special meeting, the votes favoring the action must exceed the votes opposing the action.

Can shareholders take action without a meeting?

Generally, under Article IX of PGE's Amended and Restated Articles of Incorporation, subject to restrictions on the taking of shareholder action without a meeting under applicable law and the rules of NYSE or Nasdaq, as applicable, action required or permitted by law to be taken at a shareholders' meeting instead may be taken in writing by shareholders having not less than the minimum number of votes that would be necessary to take such action at a meeting at which all shareholders entitled to vote on the action were present and voted. The minimum number of votes for approval of most matters is a majority of the votes cast.

Can shareholders remove a director by taking action through written consent?

No. Under OBCA Section 60.324(4), the ability of shareholders to take action without a meeting does not apply to the removal of a director or the entire board of directors, which may only occur at a meeting called for the purpose of removing the director or directors and the meeting notice must state that the purpose, or one of the purposes, of the meeting is such removal.

Who is entitled to vote at an annual or special meeting of shareholders?

To determine which shareholders may vote, the Board will set a "record date" prior to any annual or special meeting. The record date will be a date between 10 and 70 days prior to the annual or special meeting, and all shareholders of the Company on the record date, as determined by the Company's transfer agent, will be eligible to vote at the annual or special meeting, as set forth in Section 2.6 of the Bylaws.

Ongoing Disclosure Obligations of Public Companies

What is the origin of the current disclosure regime for public companies?

Practices leading up to the stock market crash of 1929 gave rise to significant securities law reforms in early 1930s, including enactment of the Securities Act of 1933 ("Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act"). While the Securities Act regulates the issuances and sales of securities, the Exchange Act regulates trading in securities that are already issued and outstanding.

Must the issuance of the new PGE common shares be registered under the Securities Act?

No. Pursuant to section 1145 of the Bankruptcy Code, securities of a debtor or its affiliate issued pursuant to a plan of reorganization are exempt from registration pursuant to Section 5 of the Securities Act and any other applicable state or local law. This provision of the Bankruptcy Code was expressly incorporated into Section 42.19 of the Enron Chapter 11 Plan and Paragraph 25 of the Confirmation Order relating to the Plan.

What are the underlying purposes of the Exchange Act?

The primary purposes of the Exchange Act are to ensure adequate company information to buyers and sellers of the company's securities; to prevent, and provide remedies for, fraud and market manipulation; and to regulate securities markets (including broker-dealer registration, securities exchange supervision and tender offers for a company's securities). The Exchange Act also established the Securities and Exchange Commission ("SEC").

What rules determine a public company's disclosure obligations?

Disclosure of company information to the public has always been central to the federal securities laws. The Exchange Act governs the ongoing disclosure obligations of public companies. Section 12 of the Exchange Act requires that once a company has a class of securities that is either listed on a national securities exchange, *e.g.,* the New York Stock Exchange, or held of record by more than 500 persons, it must register that security under the Exchange Act by filing a Form 8-A (or Form 10 if appropriate) with the SEC. This Exchange Act registration statement subjects the company to the ongoing disclosure regime of the Exchange Act, which requires that the company file with the SEC a Form 10-K on an annual basis, a Form 10-Q on a quarterly basis, and a Form 8-K upon the occurrence of certain significant events. These reports are available to the public through the SEC's website, from the website of most companies (including PGE) and from commercial document retrieval services. The contents of each of these publicly-filed reports are discussed in more detail below.

Moreover, the New York Stock Exchange and The Nasdaq Stock Market, Inc. subject companies listed on those exchanges to additional public disclosure requirements, which are discussed below.

Is PGE subject to the Exchange Act reporting obligations?

Yes. In 1992 PGE issued 7.75% Series Cumulative Preferred Stock (the "Cumulative Preferred Stock") to greater than 500 persons. As required by the Exchange Act, PGE filed a Form 8-A to register this stock on June 17, 1992. This Cumulative Preferred Stock is currently outstanding (at December 31, 2004, there were 219,727 shares of the Cumulative Preferred

Stock outstanding), and will remain outstanding after the distribution to creditors under the Enron Chapter 11 Plan. As a result, PGE is currently subject to the ongoing reporting obligations of the Exchange Act, a status commonly referred to as being a "reporting company."

What are the SEC's formal line-item disclosure requirements for reporting companies?

Section 13(a) of the Exchange Act requires a reporting company to file various disclosure documents with the SEC, which are made publicly-available on the SEC's website. The purpose of these disclosure filings is to apprise investors and others of the status of, and changes in, the financial condition, business and operations of the company. These documents include annual reports on Form 10-K and quarterly reports on Form 10-Q, both of which are referred to as "periodic reports", as well as current reports on Form 8-K.

What are Forms 10-K and 10-Q, and what information must be disclosed in each form?

Form 10-K is a comprehensive, annual report concerning the company, while the Form 10-Q, for the most part, is a quarterly update of the information contained in the Form 10-K. Information required to be disclosed in such periodic reports includes:

Financial Statements. The Form 10-K must contain financial statements prepared and audited in accordance with generally accepted accounting principles and the SEC's requirements for financial statements. The Form 10-Q contains the company's interim, unaudited financial information.

MD&A. Periodic reports must include a section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A"), which is a narrative analysis of the company's liquidity, capital resources and results of operations and such other information that the company believes to be necessary to an understanding of its financial condition, changes in its financial condition and its results of operations. As part of the MD&A, management is required to discuss certain forward-looking information (*e.g.,* known trends, demands, commitments, events or uncertainties), aggregate contractual obligations and any off-balance sheet arrangements.

Other Business Information. Periodic reports also must include a description of the company's business, properties, pending legal proceedings, management, principal shareholders, transactions between the company and management or principal shareholders and other material events.

Disclosure Controls and Procedures; Internal Control Over Financial Reporting. Periodic reports must disclose the results of the company's chief executive officer's and chief financial officer's evaluation of the company's "disclosure controls and procedures," which are controls designed to ensure that information required to be disclosed in the company's periodic reports is timely recorded, processed and reported and is intended to incorporate a broad concept of controls and procedures designed to ensure compliance with disclosure requirements generally, including quality. Form 10-K also must include management's assessment regarding the company's "internal control over financial reporting," which is the process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles, and an auditor's attestation report on management's assessment. Each Form 10-K and Form 10-Q is required to include a description of any material changes to internal control over financial reporting that occurred during the most recent quarterly period.

Certifications of CEO and CFO. The periodic reports must include certifications by the company's chief executive officer and chief financial officer concerning, among other things, the accuracy and completeness of the financial and other information provided in the periodic report, as well as the CEO's and CFO's responsibilities with respect to disclosure controls and procedures and internal control over financial reporting.

What is Form 8-K and what information must be disclosed in this form?

A current report on Form 8-K is an event-based report that, for most items, must be filed with the SEC within four business days after a reportable event occurs. The Form 8-K rules were recently amended to expand the number of items for which disclosure is required.

"Reportable events" on Form 8-K include, among others: (1) entry into or amendment or termination of a material definitive agreement; (2) bankruptcy or receivership events; (3) completion of acquisitions or dispositions of significant assets; (4) disclosure of results of operations and financial condition (earnings releases); (5) creation of, or triggering events that accelerate, direct or contingent material financial obligations; (6) material charges for impairments; (7) sales of unregistered equity securities; (8) appointments/departures of executive officers and directors; (9) change of auditor; (10) non-reliance on previously issued financial statements; and (12) voluntary disclosure of other events.

Is a company with securities listed on NYSE or Nasdaq subject to additional general disclosure obligations?

Yes. Both the NYSE and Nasdaq require listed companies to disclose promptly any news or information which might reasonably be expected to materially affect the market for the company's securities or influence investors' decisions. NYSE Rule 202.05; Nasdaq Marketplace Rule 4310(c)(16); IM-4120-1. The NYSE requires such disclosure in a press release, while Nasdaq permits disclosure through any Regulation FD compliant method. The NYSE rules state that annual and quarterly earnings, dividend announcements, mergers, acquisitions, tender offers, stock splits, major management changes, and any substantive items of an unusual or non-recurrent nature are examples of news items that should be handled on an immediate release basis. The NYSE rules also state that the company should act promptly to dispel unfounded rumors which result in unusual market activity or price variations, while the Nasdaq rules indicate that it may be appropriate to do so, in certain circumstances.

Selective Disclosure of Material Information and Insider Trading

What is the meaning of "material information" with respect to the SEC's disclosure requirements?

A cornerstone of the federal securities laws is the requirement for public companies to publicly disclose, to the extent there is a duty to disclose, information that is "material" to the company. The SEC has declined to establish a bright-line standard of materiality. Case law and SEC guidance define information as material if there is a substantial likelihood that "a reasonable shareholder would consider it important" in making an investment decision (*Basic, Inc. v. Levinson*, 485 U.S. 224 (1988)) and if "[it] would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available" (*TSC Industries v. Northway, Inc.*, 426 U.S. 438, 449 (1976)). The SEC has indicated that materiality is not to be determined on a strictly quantitative basis, but with regard to all relevant facts and circumstances, including qualitative factors. Thus, a public company must carefully consider the materiality of information regarding a potentially broad range of company facts and events. Possible material information or events for public companies include, but are not limited to: earnings information; "guidance" on earnings estimates; mergers, acquisitions, tender offers or significant changes in assets; new products or developments regarding customers or suppliers; changes in control or management; events regarding the company's securities (*e.g.*, defaults, redemptions, sales, splits or dividends); and bankruptcies or receiverships.

As a general premise, the antifraud provisions of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder prohibit any person, directly or indirectly, from making any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. Thus, all filings and disclosures with the SEC, such as registration statements, periodic and current reports and proxy statements must necessarily contain all relevant material facts concerning the company that are necessary to make the company's required disclosures not misleading to investors.

Must the Company treat all market participants the same with respect to material, non-public information?

Yes. To ensure that all investors in the marketplace have equal access to information about the Company, the federal securities laws impose a "disclosure to one, disclosure to all" policy with respect to a company's communication of non-public information that would be material to an investment decision relating to the Company's securities. Once such information is disclosed, even inadvertently, to a shareholder (including the Reserve), a securities analyst or certain other persons outside of the Company, without a confidentiality undertaking, it must be disclosed to the general public. It should also be noted that under the "Guidelines for the Disputed Claims Reserve" which were adopted pursuant to the Plan, the Disbursing Agent for the Reserve must comply with all applicable securities laws with regard to the possession of any material, non-public information regarding PGE, including requirements to maintain confidentiality and restrictions on selling new PGE common shares.

Regulation FD (an acronym for "Fair Disclosure") was adopted by the SEC to address concerns that material, non-public information (*e.g.*, upcoming earnings information) was being selectively disclosed to securities market professionals, significant shareholders such as the Reserve or others before being disclosed to the general public. Regulation FD prohibits such "selective disclosure."

What are the requirements of Regulation FD?

Regulation FD requires that whenever a public company, or a person acting on its behalf, discloses material, non-public information to certain "specified persons" then the company must make simultaneous public disclosure of that information if the disclosure was intentional or prompt follow-on public disclosure, if the selective disclosure was non-intentional.

Regulation FD covers communications made by persons acting on behalf of a company, which includes senior officials (for example, any executive officer or member of the Company's Board of Directors), investor or public relations officers, other persons who regularly communicate with securities market professionals and shareholders on behalf of a company, and any person directed by senior management to make a disclosure.

Who are the specified persons to whom selective disclosure would trigger Regulation FD?

Regulation FD applies to communications made to brokers or dealers, shareholders under circumstances in which it is reasonably foreseeable that the shareholders will trade on the basis of such information, and investment advisers, institutional investment managers and investment companies. The SEC has indicated that Regulation FD does not prohibit communications with employees, even when they are also shareholders. Regulation FD does not apply to communications with any person who owes a duty of trust or confidence to the Company through professional responsibility or by contract (*e.g.*, an attorney, accountant or investment banker), with media and rating agencies, in connection with most registered public offerings, with parties who have expressly agreed to keep the information confidential, with government agencies, or with customers, suppliers or strategic partners in the ordinary course of business.

What are "intentional" and "non-intentional" disclosures?

A disclosure of material non-public information is "intentional" if the person making the disclosure knew, or was reckless in not knowing, that the information was both material and non-public. An intentional disclosure requires simultaneous public disclosure. Disclosure of material, non-public information that was not made intentionally requires prompt public disclosure after the senior official knows, or is reckless in not knowing, of the non-intentional disclosure. "Prompt" means as soon as practicable, but not after the later of 24 hours or the beginning of the next trading day.

How do companies make the public disclosure required by Regulation FD?

There are a variety of ways that a company can disclose material, non-public information to the public in satisfaction of Regulation FD. Disclosure can be made in: (1) a current report on Form 8-K that is filed with the SEC, (2) a press release distributed through a widely circulated news or wire service, (3) a conference call that is open to the general public (listen only is sufficient) either by telephonic access or Internet webcasting, or (4) dissemination by any other method (or combination of methods) reasonably designed to provide "broad, non-exclusionary distribution" of the information to the public.

What is insider trading?

Section 10(b) of the Exchange Act, Rule 10b-5 thereunder and caselaw interpreting these provisions prohibit the purchase or sale of a security on the basis of material, non-public information about that security or company, in breach of a duty of trust or confidence that is owed directly, indirectly, or derivatively, to the company or its shareholders, or to any person who is the source of the material, non-public information. Such trading is known as "insider trading."

Two theories of insider trading liability have been developed by the courts: classic "disclose or abstain" theory, which involves a breach of duty to the company and/or its shareholders, and the misappropriation theory, which involves a breach of duty to the information source. The duty to "disclose or abstain" requires that either the material, non-public information must be publicly disclosed before trading, or the insider must abstain from trading. This duty applies to corporate insiders, *e.g.*, officers, directors, controlling shareholders and employees, and extends to quasi-insiders or "temporary insiders," such as attorneys, accountants, consultants, underwriters and others who temporarily become fiduciaries of a corporation. The seminal case in this area, *Chiarella v. United States,* 445 U.S. 222, 235 (1980), emphasizes that liability is premised on a breach of fiduciary duty to the company's shareholders.

The misappropriation theory fills the gap in the "disclose or abstain" theory. Misappropriation is trading on the basis of material, non-public information obtained through a duty to the information source. Liability is premised on the deception of those who entrusted the misappropriator with access to confidential information. Typically, the duty is to the misappropriator's employer and the client of the employer.

Both the classic and misappropriation theories of insider trading extend liability to "tippees," or persons who receive material, non-public information from corporate insiders. Under the classic "disclose or abstain" theory, a tippee can be held liable for insider trading if the insider sought to personally benefit by disclosing the information, thereby breaching his/her duty of loyalty to the corporation, or the tippee knew or had reason to know of the breach. The U.S. Supreme Court held in *Dirks v. SEC*, 463 U.S. 646, 662 (1983) that a personal benefit need not be monetary; it can be enhancement to reputation, or a gift to family or friends. In addition, the corporate insider or temporary insider who disclosed the material, nonpublic information, the "tipper," may be held liable for the tippee's trades.

There are at least three theories under which a company may be held secondarily liable for insider trading or tipping by its executives, directors, and employees. First, the SEC and private plaintiffs can bring insider trading claims against a company when a person "controlled" by the company engages in unlawful insider trading. Second, the SEC can bring an action against any person (including a corporate entity) who "aids and abets" insider trading by another person. Third, a private plaintiff may allege that the company made false or misleading statements and/or failed to disclose information necessary to make its statements not false or misleading, although the plaintiff will be required to prove that the company acted with scienter, *i.e.*, bad faith. Courts have held that trading by a company's executives, directors or employees can raise an inference of scienter.

Reporting of Beneficial Ownership of Large Shareholders

Is there any way to find information regarding large shareholders of the Company?

Yes, as explained in detail below, large shareholders of PGE, including the Reserve, will be required to make a public filing with respect to their holdings in PGE.

PGE intends to list its common shares either on the NYSE or Nasdaq in connection with the distribution of its new common shares or as soon as it satisfies listing eligibility requirements after the distribution of its new common shares, and to file a Form 8-A with the

SEC to register the new common shares under the Exchange Act in connection with such listing. Once PGE's new common shares are registered with the SEC on Form 8-A, large shareholders of the Company, including the Reserve, are required to make certain filings with respect to their holdings, either on Schedule 13D or on Schedule 13G. As described in more detail below, the schedules require different levels of information and have different filing requirements. Persons such as the Reserve who will have acquired more than five percent of PGE's new common shares prior to PGE's filing of the Form 8-A must file a Schedule 13G with the SEC within 45 days after the end of the calendar year in which the Form 8-A is filed. Persons who acquire more than five percent of PGE's new common shares after PGE's filing of the Form 8-A must file a Schedule 13D with the SEC within 10 days of the acquisition, unless the person satisfies the conditions for eligibility to file a Schedule 13G. The Reserve would not be able to continue filing on Schedule 13G if it were to acquire new beneficial ownership of more than 2 percent of new PGE common shares within 12 months, which would not occur under the Plan.

What is Schedule 13D and what information is a shareholder required to disclose in this filing?

Schedule 13D serves to alert the marketplace to the existence of large shareholders of the Company who may wish to influence the activities of the Company, up to and including making a takeover bid for the Company. Section 13(d) of the Exchange Act generally requires a shareholder to file a Schedule 13D if the shareholder, or a group of persons acting together, acquires more than five percent of the Company's equity securities. A Schedule 13D must be filed within 10 days of the acquisition of more than five percent ownership, and the Schedule 13D must be amended if the shareholder subsequently acquires an additional one percent or more of the Company's equity securities.

The Schedule 13D must contain information about the shareholder's (or group of shareholders') identity and background; the number of shares of the company that it beneficially owns; its purpose in acquiring those shares; any plans or proposals to acquire or dispose of securities of the company; any plans for a merger, liquidation, sale of material assets, or other extraordinary corporate transaction relating to the company; and any contemplated change in capitalization or dividend policy, in the company's directors or management, or in the company's business or corporate structure. A Schedule 13D must be amended promptly upon the occurrence of any material change to the information contained in the original schedule.

What is Schedule 13G and what information is a shareholder required to disclose in this filing?

Investors, including institutional investors, who own more than five percent of the Company's common stock but have not "acquired the securities with any purpose, or with the effect of, changing or influencing the control of the issuer, or in connection with or as a participant in any transaction having that purpose or effect" may file a Schedule 13G instead of a Schedule 13D if they so choose. Schedule 13G requires the shareholder to disclose much less information than Schedule 13D, and need only be filed within forty-five days after the end of the calendar year in which the filer acquired five percent or greater ownership. Since shareholders who file a Schedule 13G are generally considered to be passive investors in the Company, it is not necessary that they be subject to the same disclosure requirements as shareholders whose intentions regarding the Company require them to file a Schedule 13D.

What filings are required to be made by the Company's directors, officers and 10 percent shareholders?

At the same time the Company files a Form 8-A with the SEC to register its common shares, directors, officers and 10 percent shareholders of the Company must comply with Section 16 of the Exchange Act by filing a Form 3, which indicates how many common shares of the Company are owned by the filer. Subsequently, whenever a director, officer or 10 percent shareholder buys or sells common shares, they are required to file a Form 4 reporting the details of the transaction within two business days after the transaction is completed.

Corporate Governance Rules of the NYSE and Nasdaq

On what securities exchange will PGE's common shares be listed?

The Company intends to list its common shares either on the New York Stock Exchange ("NYSE") or the Nasdaq National Market, Inc. ("Nasdaq") in connection with the distribution of its new common shares or as soon as it satisfies listing eligibility requirements after the distribution of its new common shares. Once listed on NYSE or quoted on Nasdaq, the Company will become subject to the corporate governance and other requirements of the applicable listing standards.

What corporate governance requirements do NYSE and Nasdaq impose on listed companies?

NYSE and Nasdaq require that companies with common equity securities listed with them adhere to certain minimum level corporate governance standards in a variety of areas. Significant requirements include: the board must be composed of a majority of independent directors; the board must have audit, compensation (or equivalent) and nominating and corporate governance (or equivalent) committees composed entirely of independent directors; and independent directors must meet periodically in executive session.

What are the requirements concerning board independence?

Both NYSE and Nasdaq require that a majority of the board of directors are "independent", meaning that the director has no material relationships (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company) that would interfere with the exercise of independent judgment in carrying out the director's duties. Material relationships can include commercial, industrial, banking, consulting, legal accounting, charitable and familial relationships, among others.

NYSE and Nasdaq set forth specific relationships that would preclude a finding of independence. If a director does not meet these bright-line independence tests, then that director cannot be deemed independent. Furthermore, the company's board must make an affirmative determination that the director has no other material relationship beyond those included in the bright-line tests that would preclude independence. Neither NYSE nor Nasdaq views ownership of company stock, even significant ownership, by itself, as a per se bar to an independence finding, although a company's board may determine in its business judgment that significant ownership, or significant ownership along with other facts and circumstances, could interfere with a director's independent judgment.

What are the requirements concerning the independence of board committees?

NYSE and Nasdaq require that the board have a standing audit committee composed solely of independent directors. Both listing standards apply additional, more stringent independence standards with respect to audit committee members, including (1) that the member not have received any compensatory fee, directly or indirectly, from the company other than for board or committee service or under a retirement plan (including deferred compensation) for prior service with the company (provided that such compensation is not contingent in any way on continued service) and (2) that the member not be an "affiliated person" of the company.

The NYSE rules require that the board have standing compensation and nominating committees composed solely of independent directors. Although Nasdaq does not require that the board maintain standing compensation and nominating committees, it does require that executive compensation decisions and director nomination decisions, respectively, be made only by independent directors of the board.

Are there any exceptions to the independence requirements for companies with a 50% or greater shareholder?

Under NYSE and Nasdaq rules, so long as more than 50% of the voting power of a company is held by an individual, a group or another company, that company is not subject to the majority board independence requirement as well as the requirements regarding independent compensation and nominating and corporate governance committees. It is our understanding that PGE does not plan to avail itself of these exceptions while 50% or more of its issued stock is held by the Reserve pending issuance to holders of allowed claims and that PGE intends to fully comply, and maintain compliance, with each of the independence requirements prior to the distribution of new PGE common shares.

What is the significance of the requirement for independent directors to meet regularly in executive session?

Under the Nasdaq rules, the independent directors of the board must meet regularly in executive session; Nasdaq recommends at least two times per year. Under the NYSE rules, non-management directors of the board must regularly meet in executive session, and if any of the non-management directors is not also "independent" under the NYSE rules, then those directors that are independent must meet in executive session at least once per year. These requirements help to ensure that the board has opportunities to consider and openly discuss matters affecting the company without the potential influence or specter of management directors present at the meeting. As with the other requirements concerning independence, this requirement is regarded as serving as a "check and balance" on management influence over the affairs of the company or other potential conflicts of interest situations.

Qualifications of Michael P. Rogan

My name is Michael P. Rogan, and I am a partner in the Washington, D.C. office of Skadden, Arps, Slate, Meagher & Flom LLP. I received my undergraduate degree from Oberlin College in 1970, and my law degree from the University of Connecticut in 1974. I joined Skadden, Arps in 1980 and became a partner in 1984. I have headed the Washington, D.C. office Corporate Group since 1994 and have been the leader of the firm's Washington, D.C. office since 1998. Prior to joining Skadden, Arps, I spent five years working as an attorney on the staff of the Securities and Exchange Commission.

My law practice primarily concentrates in the areas of mergers and acquisitions, securities regulation, corporate finance and corporate governance. I have significant experience with both the federal securities laws and state corporate laws, particularly those of the state of Delaware, and I provide corporate and securities law advice to a number of public companies on an ongoing basis. I also regularly advise boards of directors with respect to the Sarbanes-Oxley Act of 2002 and the requirements of the New York Stock Exchange and The Nasdaq Stock Market, Inc. I have significant experience with companies in the energy field, and my regular clients include electric and gas utilities and diversified energy companies.

Qualifications of Thomas P. Palmer

My name is Thomas P. Palmer. I am a partner in the law firm of Tonkon Torp LLP in Portland, Oregon. My practice emphasizes securities and general corporate matters, including mergers and acquisitions, initial public offerings, other equity and debt offerings and private placements. I also advise clients in corporate governance, SEC disclosure matters and general corporate counseling. I am the chair of Tonkon Torp LLP's Corporate Finance Group.

I am admitted to practice in the state of Oregon. I am also a member of the District of Columbia Bar and the Association of the Bar of the City of New York. I received my Bachelor's Degree from Hamilton College in 1973 and my Law Degree from Cornell University in 1976.

This concludes our testimony.

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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4218 / UM 1206

In the Matter of the Application of PORTLAND GENERAL ELECTRIC COMPANY for an Order Authorizing the Issuance of 62,500,000 Shares of New Common Stock Pursuant to ORS 757.410 et seq. **UF 4218**

and

In the Matter of the Application of STEPHEN FORBES COOPER, LLC, as Disbursing Agent, on behalf of the RESERVE FOR DISPUTED CLAIMS, for an Order Allowing the Reserve for Disputed Claims to Acquire the Power to Exercise Substantial Influence over the Affairs and Policies of Portland General Electric Company Pursuant to ORS 757.511 **UM 1206**

TESTIMONY OF

MICHAEL P. ROGAN AND THOMAS P. PALMER

ON BEHALF OF APPLICANTS

PORTLAND GENERAL ELECTRIC COMPANY

AND

STEPHEN FORBES COOPER, LLC (as Disbursing Agent)

ON BEHALF OF THE RESERVE FOR DISPUTED CLAIMS

August 10, 2005

Introduction

This testimony is submitted on behalf of Portland General Electric Company ("PGE" or the "Company") and Stephen Forbes Cooper, LLC as Disbursing Agent for the Reserve for Disputed Claims (the "Reserve") and addresses the structure and management of corporate entities; the fiduciary duties of directors and officers and controlling shareholders; the election of directors and other shareholder action; disclosure obligations of public companies, including prohibitions on selective disclosure of material information and insider trading; reporting of beneficial ownership of large shareholders; and relevant corporate governance requirements of the New York Stock Exchange and The Nasdaq Stock Market, Inc. Although the discussion of the management structure of the corporate entity and the duties, including fiduciary duties, and rights of shareholders, directors and officers includes certain references to Oregon law, it is intended to provide a general overview of state corporate law on these concepts. PGE is incorporated in Oregon and, therefore, specific application of these concepts to PGE is subject to Oregon case law interpreting these rights and duties. Furthermore, we note that the repeal of the Public Utility Holding Company Act of 1935 under the recently enacted Energy Policy Act of 2005 does not affect any of the corporate law or Securities and Exchange Act rules referred to in this testimony.

The Corporate Entity

What are the rights and responsibilities of shareholders of a corporation?

A corporation is owned by its shareholders. The principal functions of shareholders are to elect directors and to approve extraordinary corporate actions and transactions. Shareholder rights with respect to control of the corporation are traditionally asserted by voting at shareholder meetings or by written consent without a meeting, when permitted. With respect to voting rights, in the usual case, all common shares are equal, with each share entitled to one vote for each matter, including the election of directors, absent provision to the contrary. Shareholder approval is required for extraordinary corporate matters, such as amendments to the articles of incorporation, sale or lease of assets not in the ordinary course of business, merger, consolidation and dissolution. In addition, under stock exchange rules, shareholders are required to vote on certain issuances of the corporation's stock and certain stock-based compensation plans.

Shareholders do not play a role in the day-to-day activities of the corporation, and do not have the general ability to determine corporate policy, approve or disapprove day-to-day actions of a corporation, or otherwise manage the business of the corporation. Shareholders invest in the corporation with the expectation that the board of directors will manage the enterprise so far as its ordinary business is concerned. Shareholders elect the directors to oversee the corporation's activities and determine corporate policy, and the directors appoint officers to manage the corporation's day-to-day activities and to execute the policies determined by the board of directors.

What are the responsibilities of the board of directors with respect to the operations of a corporation?

Pursuant to Section 60.301 of the Oregon Business Corporation Act ("OBCA"), the business and affairs of a corporation are managed by, or under the direction of, the board of directors. In the exercise of their management function, directors are required to use their best judgment and independent discretion. Directors are responsible for determining corporate policy, usually including (1) policy decisions with respect to products, services, prices, wages and labor relations; (2) selection, supervision and removal of officers; (3) setting executive compensation, pension and retirement plans; (4) determination of dividends, financing and capital changes; (5) delegation of authority for administrative and possibly other action; (6) adoption and amendment of bylaws; (7) participation, along with shareholders, in approving extraordinary corporate matters, such as mergers, dissolution and the sale of all or substantially all of the corporation's assets; and (8) supervision and vigilance for the welfare of the entire enterprise. The board may delegate to a committee of the board responsibility for any actions not specifically reserved for the entire board under state corporation law. Although the board is ultimately responsible for all actions of the corporation, the board may delegate day-to-day management responsibilities to officers of the corporation.

What are the responsibilities of officers with respect to the operations of a corporation?

Pursuant to Sections 60.371 and 60.381 of the OBCA, officers are appointed and removed by the board of directors, which delegates to them authority to execute the company's business plan and administer the policies determined by the board of directors. The management functions of officers are also conferred pursuant to state statute, the bylaws or resolutions of the board. Apart from such express delegation, officers also have implied authority arising out of their office. Officers are responsible for the day-to-day operations of the corporation and for providing appropriate information to the board so that the board may exercise its supervisory functions effectively.

Fiduciary Duties

What duties are owed by directors and officers to the corporation and its shareholders?

Directors and officers owe fiduciary duties to the corporation and all of its shareholders. Consistent with Sections 60.357 and 60.377 of the OBCA, they have a duty to perform their functions in good faith, in a manner that they reasonably believe to be in the best interests of the corporation, and with the care that an ordinarily prudent person would reasonably be expected to exercise in a like position and under similar circumstances. These duties are often described as the duty of care, the duty of loyalty and the duty of good faith and are discussed below. In practice, these duties may overlap. If a director or officer satisfies these duties, his or her decisions are generally protected by the business judgment rule.

To whom are these fiduciary duties owed?

Directors and officers owe fiduciary duties to the corporation and all of its shareholders, regardless of whether the directors were designated or appointed by any particular group of shareholders, and regardless of the level of the shareholder's ownership in the corporation.

In what situations are fiduciary duties an issue?

Situations in which fiduciary duties are at issue may involve, among other things: (1) competing with the corporation, (2) usurpation of a corporate opportunity, (3) having a personal interest which conflicts with the interests of the corporation or shareholders as a whole, (4) insider trading, (5) authorizing a transaction which oppresses minority shareholders, and (6) the purchase and sale of control of the company.

What is the duty of care?

Generally stated, the duty of care requires directors and officers to act in an informed and considered manner. Accordingly, directors and officers must inform themselves, prior to making a business decision, of all information reasonably available to them, and then once becoming so informed, they must act with requisite care in discharging their duties. Under Sections 60.357 and 60.377 of the OBCA, directors and officers are entitled when discharging their duties to rely in good faith on information, opinions, reports and statements presented to the corporation by any of the corporation's officers or employees, or committees of the board of directors, or other persons (including outside advisors) as to matters the directors reasonably believe are within such other persons' professional or expert competence.

What is the duty of loyalty?

The duty of loyalty generally requires directors and officers to act without self-interest and in a manner which the director honestly believes is in the best interests of the corporation and its shareholders. Directors and officers must refrain from fraudulent conduct, self-dealing and actions that serve to entrench them in office. This duty requires directors and officers to act without personal financial self-interest and without personal or private motive, even if non-financial in nature. It further requires that directors be independent, so that their decision-making is based on the merits of the matter before the board, rather than on outside influences. Directors who have a personal, material interest in a decision that is different from the other members of the board should make adequate disclosure of material interests and facts to the other members of the board and generally should abstain from board decisions.

What is the duty of good faith?

The duty of good faith generally requires directors and officers to act in good faith – with the honest belief that their action taken was in the best interests of the corporation and its shareholders. Bad faith of a director or officer implies more than bad judgment or negligence and relates to the state of mind of such person. Directors and officers do not act in good faith when they knowingly make material decisions without adequate information and without adequate deliberation.

What duties do directors and officers owe to minority shareholders?

Directors and officers owe fiduciary duties to the corporation to exercise unbiased judgment in the best interests of the corporation as a whole and must abide by standards of good faith and fair dealing with respect to minority shareholders. The leading Oregon case in this area is *Zidell v. Zidell Dismantling, Inc.*, 560 P.2d 1086, 1089 (Or. 1977), which held that "[T]hose in control of corporate affairs have fiduciary duties of good faith and fair dealing toward the minority shareholders." In addition, several Oregon cases, including *Baker v. Commercial Body Builders*, 507 P.2d 387, 394 (Or. 1973), *Chiles v. Robertson*, 767 P.2d 903, 911 (Or. Ct. App. 1989) and *Lee v. Mitchell*, 953 P.2d 414, 424 (Or. Ct. App. 1998), have held that directors and senior executive officers owe the same fiduciary duties of loyalty, good faith, fair dealing and full disclosure owed by majority shareholders to minority shareholders. Any attempt by directors and officers to favor one shareholder, such as a majority shareholder like the Reserve, or group of shareholders to the detriment of another breaches such duties to the corporation.

Does a controlling shareholder owe a fiduciary duty to minority shareholders?

A controlling shareholder (considered to be a shareholder who either owns a majority interest in or exercises control over the corporation) owes a fiduciary duty to the minority shareholders with respect to corporate affairs based on equitable principles that one who holds a position of superiority and influence is a fiduciary. Oregon courts have held that controlling shareholders owe "fiduciary duties of loyalty, good faith, fair dealing, and full disclosure" to minority shareholders. *Naito v. Naito*, 35 P.3d 1068, 1079 (Or. Ct. App. 2001); *Chiles v. Robertson*, 767 P.2d 903, 911 (Or. Ct. App. 1989); *Delaney v. Georgia Pacific Corp.*, 564 P.2d 277, 281 (Or. 1977). As a controlling shareholder, the Reserve must fulfill these fiduciary duties to PGE's minority shareholders. Generally, these duties manifest themselves in situations where the controlling shareholder wishes to enter into a transaction with the corporation, or wishes to have the corporation take actions which disproportionately benefit the controlling shareholder. Where a sale of control involves a breach of duty to the minority shareholders, the minority shareholders can recover their proportionate interest in any profits.

What is the business judgment rule and how does it relate to directors' and officers' fiduciary duties?

The business judgment rule is a judicial presumption that directors and officers make their decisions in good faith, on the basis of a reasonable investigation and after careful consideration of all facts and circumstances they believe to be relevant, in accordance with what they honestly believe to be the best interests of the company's shareholders. The effect of this presumption when applied by a court is that the court will not substitute its judgment (*i.e.*, "second guess") the judgment of directors or officers, unless a plaintiff shows by a preponderance of the evidence that the directors' or officers' decision involved a breach of fiduciary duty, including acting with gross negligence, recklessness or bad faith or when a majority of directors is either "interested" in the decision or lacks independence on the matter.

Sections 60.357 and 60.377 of the OBCA provide that directors and officers will not be liable for a breach of their duty of care if they perform their duties in compliance with the requirements of these sections. In addition, the Oregon Supreme Court has held that "[i]f there are plausible business reasons supportive of the decision of the board of directors, and such reasons can be given credence, a Court will not interfere with a corporate board's right to make that decision." *Zidell v. Zidell Dismantling, Inc.*, 560 P.2d 1086, 1089 (Or. 1977).

What are the consequences if a director, officer or controlling shareholder is found to have breached an applicable fiduciary duty?

State law provides remedies for breaches of fiduciary duty. For example, in the context of a self-dealing transaction involving a breach of the duty loyalty, such transactions are voidable at the election of the corporation, either in a direct action by the corporation or in a derivative suit (generally initiated by shareholders on behalf of the corporation). The general remedy is rescission, which returns the parties to their original position prior to the transaction.

In the case of an alleged breach of the duty of care, if a shareholder or other challenger overcomes the business judgment presumption and shows that the board's decision was uninformed or lacked a rational basis, any director who participated in the decision may be liable for a breach of the duty of care.

Is a board required or permitted to consider the interests of constituencies other than the shareholders when making decisions?

Some states, including Oregon, have enacted statutes that permit (and some states require) directors to consider the interests of constituencies other than shareholders and even the interests of society as a whole when making decisions regarding the corporation. Section 60.357 of the OBCA provides that "[w]hen evaluating any offer of another party to make a tender or exchange offer for any equity security of the corporation, or any proposal to merge or consolidate the corporation with another corporation or to purchase or otherwise acquire all or substantially all the properties and assets of the corporation, the directors of the corporation may, in determining what they believe to be in the best interests of the corporation, give due consideration to the social, legal and economic effects on employees, customers and suppliers of the corporation and on the communities and geographical areas in which the corporation and its subsidiaries operate, the economy of the state and nation, the long-term as well as short-term interests of the corporation and its shareholders, including the possibility that these interests may be best served by the continued independence of the corporation, and other relevant factors."

Election of Directors and Other Shareholder Action

How are directors nominated for election to PGE's board?

PGE intends to form a Nominating and Corporate Governance Committee in advance of the distribution date of its new common shares. Each year PGE's Board, upon the recommendation of its Nominating and Corporate Governance Committee, will nominate individuals to be considered for election or re-election by the Company's shareholders at the Company's annual meeting of shareholders. In making its nominations, the Board and Nominating and Corporate Governance Committee will follow specific processes that will be disclosed to shareholders in the Company's annual meeting proxy statement, which is discussed in more detail below. The Board may also consider individuals recommended by shareholders. Although the Company is required to provide disclosure concerning the Board's policies in this respect, the Board is under no obligation to include such shareholder-recommended individuals on the Board's slate of director nominees.

When are directors elected?

Section 60.307 of the OBCA requires the election of directors every year, except under certain circumstances. Since the Company's fiscal year ends on December 31, the Company will generally schedule its annual meeting of shareholders for the election of directors between March and June of each year. The annual meeting is generally held between 30-45 days after a proxy statement is filed with the SEC and mailed to shareholders. If the distribution of PGE's new common shares occurs in 2006 as is currently anticipated, PGE would not be required to hold its first annual meeting of shareholders until 2007.

How are directors elected?

PGE shareholders are entitled to one vote per common share in the election of directors. Shareholders entitled to vote have the right to be present and to vote in person or by proxy at an annual meeting. The proxy holder (generally an officer of the corporation) is the shareholder's agent for voting purposes. A general proxy authorizes the proxy holder to vote on all matters properly coming before the shareholder meeting, including the election of directors.

Directors are elected by a plurality vote, which means that the director nominees receiving the highest number of votes (either from shareholders present at the meeting or through previously received proxies) are elected as directors to hold office until the next annual meeting, regardless of whether a candidate receives the vote of a majority of the votes cast.

What is the proxy statement and what information does it contain?

Pursuant to rules under the Securities Exchange Act of 1934 (the "Exchange Act"), whenever proxies are solicited from the Company's shareholders in connection with actions requiring a shareholder vote, *e.g.*, the election of directors, the Company must distribute to its shareholders, and file publicly with the SEC, a proxy statement containing detailed information about the Company, its Board of Directors and management and the matters to be voted upon. The proxy statement must disclose, among other things, information regarding: (1) the date, time and place of meeting, (2) any interest of officers, directors and nominees in the solicitation; (3) voting procedures as to each matter submitted to a vote of shareholders; (4) securities entitled to vote and stock ownership of certain beneficial owners and management; (5) information regarding executive officers and directors and director nominees, including employment history, compensation and any related party transactions with the company; (6) corporate governance matters, including director independence, whether the company has standing audit, nominating and compensation committees, and if so, the members, purpose or function, and number of meetings held by each during previous fiscal year; and (7) information regarding the company's independent registered public accounting firm and the composition of its fees for the preceding year. The proxy statement is filed with the SEC and mailed to all shareholders and is publicly available through the SEC's website.

How can a shareholder make sure that its slate of board candidates is considered by shareholders for election as directors at the annual meeting of shareholders?

If any shareholder wishes to nominate its own slate of individuals for election as directors at the annual meeting, for some or all of the Board seats up for election, and have such candidates fully considered by all shareholders (an action known as a "proxy fight"), such shareholder must file its own proxy materials with the SEC and mail to all shareholders the proxy materials soliciting proxies for their director candidates. Shareholders must spend their own money to finance their efforts. The cost of preparing, filing and mailing proxy materials (and otherwise complying with the SEC's proxy rules) is substantial and generally renders a proxy fight an undesirable alternative for most shareholders wishing to ensure that their candidates get full consideration.

Under PGE's Bylaws, a shareholder may also nominate a candidate for election as a director from the floor at the annual meeting. Such candidate would not have been included in the proxy statement and, therefore, would not have been considered by all shareholders who voted by proxy. For the nominee to be elected to one of the fixed board seats, he or she would have to receive more votes from shares present in person at the annual meeting than votes cast for at least one of the Board's nominees included in the proxy statement. Under typical circumstances, the vast majority of shares would have previously been voted by proxy, which would make it exceptionally difficult for the floor-nominated candidate to be elected. It must be noted, however, that as long as the Reserve is a majority shareholder, it would have the technical ability to elect a nominee from the floor at an annual meeting if it had not previously voted its shares by proxy or had subsequently validly revoked its proxy.

Who may call a special meeting of shareholders?

Under Section 2.2 of PGE's Bylaws (the "Bylaws") and consistent with section 60.204 of the OBCA, a special meeting of shareholders may be called by the Company's Chairman of the Board, Chief Executive Officer, President, or by the Board of Directors. A special meeting of shareholders may also be called at the request of a shareholder or shareholders owning at least 10% of the Company's voting power. The requesting shareholders are required to sign, date and deliver to the Company's Corporate Secretary a written demand describing the purpose or purposes for holding the special meeting.

What is the timeframe associated with a special meeting?

As set forth in Section 2.4 of the Bylaws, if a special meeting is called, written notice stating the date, time, place and purpose of the special meeting must be mailed to each shareholder entitled to vote at the meeting between 10 and 60 days before the date of the special meeting, regardless of whether the special meeting is called by the Company or by shareholders.

What matters may be considered at a special meeting of shareholders?

In accordance with Section 3.13 of the Bylaws, any matter that may properly be brought before the shareholders, including the election of directors, may be considered at a special meeting of shareholders. Directors may be removed, with or without cause, by a vote of shareholders at a special meeting if the special meeting is called expressly for that purpose.

What vote is required at a special meeting of shareholders?

PGE's bylaws impose a number of requirements in order for shareholders to take action at a special meeting. Section 2.8 of the Bylaws requires that, for any action to be taken at a special meeting, a quorum of at least a majority of the Company's voting power must be present. In order to remove a director, the number of votes cast to remove the director must exceed the number of votes cast against removal, as set forth in Section 3.13 of the Bylaws. In order to take any other action that may properly be taken at a special meeting, the votes favoring the action must exceed the votes opposing the action.

Can shareholders take action without a meeting?

Generally, under Article IX of PGE's Amended and Restated Articles of Incorporation, subject to restrictions on the taking of shareholder action without a meeting under applicable law and the rules of NYSE or Nasdaq, as applicable, action required or permitted by law to be taken at a shareholders' meeting instead may be taken in writing by shareholders having not less than the minimum number of votes that would be necessary to take such action at a meeting at which all shareholders entitled to vote on the action were present and voted. The minimum number of votes for approval of most matters is a majority of the votes cast.

Can shareholders remove a director by taking action through written consent?

No. Under OBCA Section 60.324(4), the ability of shareholders to take action without a meeting does not apply to the removal of a director or the entire board of directors, which may only occur at a meeting called for the purpose of removing the director or directors and the meeting notice must state that the purpose, or one of the purposes, of the meeting is such removal.

Who is entitled to vote at an annual or special meeting of shareholders?

To determine which shareholders may vote, the Board will set a "record date" prior to any annual or special meeting. The record date will be a date between 10 and 70 days prior to the annual or special meeting, and all shareholders of the Company on the record date, as determined by the Company's transfer agent, will be eligible to vote at the annual or special meeting, as set forth in Section 2.6 of the Bylaws.

Ongoing Disclosure Obligations of Public Companies

What is the origin of the current disclosure regime for public companies?

Practices leading up to the stock market crash of 1929 gave rise to significant securities law reforms in early 1930s, including enactment of the Securities Act of 1933 ("Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act"). While the Securities Act regulates the issuances and sales of securities, the Exchange Act regulates trading in securities that are already issued and outstanding.

Must the issuance of the new PGE common shares be registered under the Securities Act?

No. Pursuant to section 1145 of the Bankruptcy Code, securities of a debtor or its affiliate issued pursuant to a plan of reorganization are exempt from registration pursuant to Section 5 of the Securities Act and any other applicable state or local law. This provision of the Bankruptcy Code was expressly incorporated into Section 42.19 of the Enron Chapter 11 Plan and Paragraph 25 of the Confirmation Order relating to the Plan.

What are the underlying purposes of the Exchange Act?

The primary purposes of the Exchange Act are to ensure adequate company information to buyers and sellers of the company's securities; to prevent, and provide remedies for, fraud and market manipulation; and to regulate securities markets (including broker-dealer registration, securities exchange supervision and tender offers for a company's securities). The Exchange Act also established the Securities and Exchange Commission ("SEC").

What rules determine a public company's disclosure obligations?

Disclosure of company information to the public has always been central to the federal securities laws. The Exchange Act governs the ongoing disclosure obligations of public companies. Section 12 of the Exchange Act requires that once a company has a class of securities that is either listed on a national securities exchange, *e.g.*, the New York Stock Exchange, or held of record by more than 500 persons, it must register that security under the Exchange Act by filing a Form 8-A (or Form 10 if appropriate) with the SEC. This Exchange Act registration statement subjects the company to the ongoing disclosure regime of the Exchange Act, which requires that the company file with the SEC a Form 10-K on an annual basis, a Form 10-Q on a quarterly basis, and a Form 8-K upon the occurrence of certain significant events. These reports are available to the public through the SEC's website, from the website of most companies (including PGE) and from commercial document retrieval services. The contents of each of these publicly-filed reports are discussed in more detail below.

Moreover, the New York Stock Exchange and The Nasdaq Stock Market, Inc. subject companies listed on those exchanges to additional public disclosure requirements, which are discussed below.

Is PGE subject to the Exchange Act reporting obligations?

Yes. In 1992 PGE issued 7.75% Series Cumulative Preferred Stock (the "Cumulative Preferred Stock") to greater than 500 persons. As required by the Exchange Act, PGE filed a Form 8-A to register this stock on June 17, 1992. This Cumulative Preferred Stock is currently outstanding (at December 31, 2004, there were 219,727 shares of the Cumulative Preferred

Stock outstanding), and will remain outstanding after the distribution to creditors under the Enron Chapter 11 Plan. As a result, PGE is currently subject to the ongoing reporting obligations of the Exchange Act, a status commonly referred to as being a "reporting company."

What are the SEC's formal line-item disclosure requirements for reporting companies?

Section 13(a) of the Exchange Act requires a reporting company to file various disclosure documents with the SEC, which are made publicly-available on the SEC's website. The purpose of these disclosure filings is to apprise investors and others of the status of, and changes in, the financial condition, business and operations of the company. These documents include annual reports on Form 10-K and quarterly reports on Form 10-Q, both of which are referred to as "periodic reports", as well as current reports on Form 8-K.

What are Forms 10-K and 10-Q, and what information must be disclosed in each form?

Form 10-K is a comprehensive, annual report concerning the company, while the Form 10-Q, for the most part, is a quarterly update of the information contained in the Form 10-K. Information required to be disclosed in such periodic reports includes:

Financial Statements. The Form 10-K must contain financial statements prepared and audited in accordance with generally accepted accounting principles and the SEC's requirements for financial statements. The Form 10-Q contains the company's interim, unaudited financial information.

MD&A. Periodic reports must include a section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A"), which is a narrative analysis of the company's liquidity, capital resources and results of operations and such other information that the company believes to be necessary to an understanding of its financial condition, changes in its financial condition and its results of operations. As part of the MD&A, management is required to discuss certain forward-looking information (*e.g.*, known trends, demands, commitments, events or uncertainties), aggregate contractual obligations and any off-balance sheet arrangements.

Other Business Information. Periodic reports also must include a description of the company's business, properties, pending legal proceedings, management, principal shareholders, transactions between the company and management or principal shareholders and other material events.

Disclosure Controls and Procedures; Internal Control Over Financial Reporting. Periodic reports must disclose the results of the company's chief executive officer's and chief financial officer's evaluation of the company's "disclosure controls and procedures," which are controls designed to ensure that information required to be disclosed in the company's periodic reports is timely recorded, processed and reported and is intended to incorporate a broad concept of controls and procedures designed to ensure compliance with disclosure requirements generally, including quality. Form 10-K also must include management's assessment regarding the company's "internal control over financial reporting," which is the process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles, and an auditor's attestation report on management's assessment. Each Form 10-K and Form 10-Q is required to include a description of any material changes to internal control over financial reporting that occurred during the most recent quarterly period.

Certifications of CEO and CFO. The periodic reports must include certifications by the company's chief executive officer and chief financial officer concerning, among other things, the accuracy and completeness of the financial and other information provided in the periodic report, as well as the CEO's and CFO's responsibilities with respect to disclosure controls and procedures and internal control over financial reporting.

What is Form 8-K and what information must be disclosed in this form?

A current report on Form 8-K is an event-based report that, for most items, must be filed with the SEC within four business days after a reportable event occurs. The Form 8-K rules were recently amended to expand the number of items for which disclosure is required.

"Reportable events" on Form 8-K include, among others: (1) entry into or amendment or termination of a material definitive agreement; (2) bankruptcy or receivership events; (3) completion of acquisitions or dispositions of significant assets; (4) disclosure of results of operations and financial condition (earnings releases); (5) creation of, or triggering events that accelerate, direct or contingent material financial obligations; (6) material charges for impairments; (7) sales of unregistered equity securities; (8) appointments/departures of executive officers and directors; (9) change of auditor; (10) non-reliance on previously issued financial statements; and (12) voluntary disclosure of other events.

Is a company with securities listed on NYSE or Nasdaq subject to additional general disclosure obligations?

Yes. Both the NYSE and Nasdaq require listed companies to disclose promptly any news or information which might reasonably be expected to materially affect the market for the company's securities or influence investors' decisions. NYSE Rule 202.05; Nasdaq Marketplace Rule 4310(c)(16); IM-4120-1. The NYSE requires such disclosure in a press release, while Nasdaq permits disclosure through any Regulation FD compliant method. The NYSE rules state that annual and quarterly earnings, dividend announcements, mergers, acquisitions, tender offers, stock splits, major management changes, and any substantive items of an unusual or non-recurrent nature are examples of news items that should be handled on an immediate release basis. The NYSE rules also state that the company <u>should</u> act promptly to dispel unfounded rumors which result in unusual market activity or price variations, while the Nasdaq rules indicate that it <u>may</u> be appropriate to do so, in certain circumstances.

Selective Disclosure of Material Information and Insider Trading

What is the meaning of "material information" with respect to the SEC's disclosure requirements?

A cornerstone of the federal securities laws is the requirement for public companies to publicly disclose, to the extent there is a duty to disclose, information that is "material" to the company. The SEC has declined to establish a bright-line standard of materiality. Case law and SEC guidance define information as material if there is a substantial likelihood that "a reasonable shareholder would consider it important" in making an investment decision (*Basic, Inc. v. Levinson*, 485 U.S. 224 (1988)) and if "[it] would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available" (*TSC Industries v. Northway, Inc.*, 426 U.S. 438, 449 (1976)). The SEC has indicated that materiality is not to be determined on a strictly quantitative basis, but with regard to all relevant facts and circumstances, including qualitative factors. Thus, a public company must carefully consider the materiality of information regarding a potentially broad range of company facts and events. Possible material information or events for public companies include, but are not limited to: earnings information; "guidance" on earnings estimates; mergers, acquisitions, tender offers or significant changes in assets; new products or developments regarding customers or suppliers; changes in control or management; events regarding the company's securities (*e.g.*, defaults, redemptions, sales, splits or dividends); and bankruptcies or receiverships.

As a general premise, the antifraud provisions of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder prohibit any person, directly or indirectly, from making any untrue statement of a material fact or omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. Thus, all filings and disclosures with the SEC, such as registration statements, periodic and current reports and proxy statements must necessarily contain all relevant material facts concerning the company that are necessary to make the company's required disclosures not misleading to investors.

Must the Company treat all market participants the same with respect to material, non-public information?

Yes. To ensure that all investors in the marketplace have equal access to information about the Company, the federal securities laws impose a "disclosure to one, disclosure to all" policy with respect to a company's communication of non-public information that would be material to an investment decision relating to the Company's securities. Once such information is disclosed, even inadvertently, to a shareholder (including the Reserve), a securities analyst or certain other persons outside of the Company, without a confidentiality undertaking, it must be disclosed to the general public. It should also be noted that under the "Guidelines for the Disputed Claims Reserve" which were adopted pursuant to the Plan, the Disbursing Agent for the Reserve must comply with all applicable securities laws with regard to the possession of any material, non-public information regarding PGE, including requirements to maintain confidentiality and restrictions on selling new PGE common shares.

Regulation FD (an acronym for "Fair Disclosure") was adopted by the SEC to address concerns that material, non-public information (*e.g.,* upcoming earnings information) was being selectively disclosed to securities market professionals, significant shareholders such as the Reserve or others before being disclosed to the general public. Regulation FD prohibits such "selective disclosure."

What are the requirements of Regulation FD?

Regulation FD requires that whenever a public company, or a person acting on its behalf, discloses material, non-public information to certain "specified persons" then the company must make simultaneous public disclosure of that information if the disclosure was intentional or prompt follow-on public disclosure, if the selective disclosure was non-intentional.

Regulation FD covers communications made by persons acting on behalf of a company, which includes senior officials (for example, any executive officer or member of the Company's Board of Directors), investor or public relations officers, other persons who regularly communicate with securities market professionals and shareholders on behalf of a company, and any person directed by senior management to make a disclosure.

Who are the specified persons to whom selective disclosure would trigger Regulation FD?

Regulation FD applies to communications made to brokers or dealers, shareholders under circumstances in which it is reasonably foreseeable that the shareholders will trade on the basis of such information, and investment advisers, institutional investment managers and investment companies. The SEC has indicated that Regulation FD does not prohibit communications with employees, even when they are also shareholders. Regulation FD does not apply to communications with any person who owes a duty of trust or confidence to the Company through professional responsibility or by contract (*e.g.,* an attorney, accountant or investment banker), with media and rating agencies, in connection with most registered public offerings, with parties who have expressly agreed to keep the information confidential, with government agencies, or with customers, suppliers or strategic partners in the ordinary course of business.

What are "intentional" and "non-intentional" disclosures?

A disclosure of material non-public information is "intentional" if the person making the disclosure knew, or was reckless in not knowing, that the information was both material and non-public. An intentional disclosure requires simultaneous public disclosure. Disclosure of material, non-public information that was not made intentionally requires prompt public disclosure after the senior official knows, or is reckless in not knowing, of the non-intentional disclosure. "Prompt" means as soon as practicable, but not after the later of 24 hours or the beginning of the next trading day.

How do companies make the public disclosure required by Regulation FD?

There are a variety of ways that a company can disclose material, non-public information to the public in satisfaction of Regulation FD. Disclosure can be made in: (1) a current report on Form 8-K that is filed with the SEC, (2) a press release distributed through a widely circulated news or wire service, (3) a conference call that is open to the general public (listen only is sufficient) either by telephonic access or Internet webcasting, or (4) dissemination by any other method (or combination of methods) reasonably designed to provide "broad, non-exclusionary distribution" of the information to the public.

What is insider trading?

Section 10(b) of the Exchange Act, Rule 10b-5 thereunder and caselaw interpreting these provisions prohibit the purchase or sale of a security on the basis of material, non-public information about that security or company, in breach of a duty of trust or confidence that is owed directly, indirectly, or derivatively, to the company or its shareholders, or to any person who is the source of the material, non-public information. Such trading is known as “insider trading.”

Two theories of insider trading liability have been developed by the courts: classic “disclose or abstain” theory, which involves a breach of duty to the company and/or its shareholders, and the misappropriation theory, which involves a breach of duty to the information source. The duty to “disclose or abstain” requires that either the material, non-public information must be publicly disclosed before trading, or the insider must abstain from trading. This duty applies to corporate insiders, *e.g.*, officers, directors, controlling shareholders and employees, and extends to quasi-insiders or “temporary insiders,” such as attorneys, accountants, consultants, underwriters and others who temporarily become fiduciaries of a corporation. The seminal case in this area, *Chiarella v. United States*, 445 U.S. 222, 235 (1980), emphasizes that liability is premised on a breach of fiduciary duty to the company’s shareholders.

The misappropriation theory fills the gap in the “disclose or abstain” theory. Misappropriation is trading on the basis of material, non-public information obtained through a duty to the information source. Liability is premised on the deception of those who entrusted the misappropriator with access to confidential information. Typically, the duty is to the misappropriator’s employer and the client of the employer.

Both the classic and misappropriation theories of insider trading extend liability to “tippees,” or persons who receive material, non-public information from corporate insiders. Under the classic “disclose or abstain” theory, a tippee can be held liable for insider trading if the insider sought to personally benefit by disclosing the information, thereby breaching his/her duty of loyalty to the corporation, or the tippee knew or had reason to know of the breach. The U.S. Supreme Court held in *Dirks v. SEC*, 463 U.S. 646, 662 (1983) that a personal benefit need not be monetary; it can be enhancement to reputation, or a gift to family or friends. In addition, the corporate insider or temporary insider who disclosed the material, nonpublic information, the "tipper," may be held liable for the tippee's trades.

There are at least three theories under which a company may be held secondarily liable for insider trading or tipping by its executives, directors, and employees. First, the SEC and private plaintiffs can bring insider trading claims against a company when a person "controlled" by the company engages in unlawful insider trading. Second, the SEC can bring an action against any person (including a corporate entity) who "aids and abets" insider trading by another person. Third, a private plaintiff may allege that the company made false or misleading statements and/or failed to disclose information necessary to make its statements not false or misleading, although the plaintiff will be required to prove that the company acted with scienter, *i.e.,* bad faith. Courts have held that trading by a company's executives, directors or employees can raise an inference of scienter.

Reporting of Beneficial Ownership of Large Shareholders

Is there any way to find information regarding large shareholders of the Company?

Yes, as explained in detail below, large shareholders of PGE, including the Reserve, will be required to make a public filing with respect to their holdings in PGE.

PGE intends to list its common shares either on the NYSE or Nasdaq in connection with the distribution of its new common shares or as soon as it satisfies listing eligibility requirements after the distribution of its new common shares, and to file a Form 8-A with the

SEC to register the new common shares under the Exchange Act in connection with such listing. Once PGE's new common shares are registered with the SEC on Form 8-A, large shareholders of the Company, including the Reserve, are required to make certain filings with respect to their holdings, either on Schedule 13D or on Schedule 13G. As described in more detail below, the schedules require different levels of information and have different filing requirements. Persons such as the Reserve who will have acquired more than five percent of PGE's new common shares prior to PGE's filing of the Form 8-A must file a Schedule 13G with the SEC within 45 days after the end of the calendar year in which the Form 8-A is filed. Persons who acquire more than five percent of PGE's new common shares after PGE's filing of the Form 8-A must file a Schedule 13D with the SEC within 10 days of the acquisition, unless the person satisfies the conditions for eligibility to file a Schedule 13G. The Reserve would not be able to continue filing on Schedule 13G if it were to acquire new beneficial ownership of more than 2 percent of new PGE common shares within 12 months, which would not occur under the Plan.

What is Schedule 13D and what information is a shareholder required to disclose in this filing?

Schedule 13D serves to alert the marketplace to the existence of large shareholders of the Company who may wish to influence the activities of the Company, up to and including making a takeover bid for the Company. Section 13(d) of the Exchange Act generally requires a shareholder to file a Schedule 13D if the shareholder, or a group of persons acting together, acquires more than five percent of the Company's equity securities. A Schedule 13D must be filed within 10 days of the acquisition of more than five percent ownership, and the Schedule 13D must be amended if the shareholder subsequently acquires an additional one percent or more of the Company's equity securities.

The Schedule 13D must contain information about the shareholder's (or group of shareholders') identity and background; the number of shares of the company that it beneficially owns; its purpose in acquiring those shares; any plans or proposals to acquire or dispose of securities of the company; any plans for a merger, liquidation, sale of material assets, or other extraordinary corporate transaction relating to the company; and any contemplated change in capitalization or dividend policy, in the company's directors or management, or in the company's business or corporate structure. A Schedule 13D must be amended promptly upon the occurrence of any material change to the information contained in the original schedule.

What is Schedule 13G and what information is a shareholder required to disclose in this filing?

Investors, including institutional investors, who own more than five percent of the Company's common stock but have not "acquired the securities with any purpose, or with the effect of, changing or influencing the control of the issuer, or in connection with or as a participant in any transaction having that purpose or effect" may file a Schedule 13G instead of a Schedule 13D if they so choose. Schedule 13G requires the shareholder to disclose much less information than Schedule 13D, and need only be filed within forty-five days after the end of the calendar year in which the filer acquired five percent or greater ownership. Since shareholders who file a Schedule 13G are generally considered to be passive investors in the Company, it is not necessary that they be subject to the same disclosure requirements as shareholders whose intentions regarding the Company require them to file a Schedule 13D.

What filings are required to be made by the Company's directors, officers and 10 percent shareholders?

At the same time the Company files a Form 8-A with the SEC to register its common shares, directors, officers and 10 percent shareholders of the Company must comply with Section 16 of the Exchange Act by filing a Form 3, which indicates how many common shares of the Company are owned by the filer. Subsequently, whenever a director, officer or 10 percent shareholder buys or sells common shares, they are required to file a Form 4 reporting the details of the transaction within two business days after the transaction is completed.

Corporate Governance Rules of the NYSE and Nasdaq

On what securities exchange will PGE's common shares be listed?

The Company intends to list its common shares either on the New York Stock Exchange ("NYSE") or the Nasdaq National Market, Inc. ("Nasdaq") in connection with the distribution of its new common shares or as soon as it satisfies listing eligibility requirements after the distribution of its new common shares. Once listed on NYSE or quoted on Nasdaq, the Company will become subject to the corporate governance and other requirements of the applicable listing standards.

What corporate governance requirements do NYSE and Nasdaq impose on listed companies?

NYSE and Nasdaq require that companies with common equity securities listed with them adhere to certain minimum level corporate governance standards in a variety of areas. Significant requirements include: the board must be composed of a majority of independent directors; the board must have audit, compensation (or equivalent) and nominating and corporate governance (or equivalent) committees composed entirely of independent directors; and independent directors must meet periodically in executive session.

What are the requirements concerning board independence?

Both NYSE and Nasdaq require that a majority of the board of directors are "independent", meaning that the director has no material relationships (either directly or as a partner, shareholder or officer of an organization that has a relationship with the company) that would interfere with the exercise of independent judgment in carrying out the director's duties. Material relationships can include commercial, industrial, banking, consulting, legal accounting, charitable and familial relationships, among others.

NYSE and Nasdaq set forth specific relationships that would preclude a finding of independence. If a director does not meet these bright-line independence tests, then that director cannot be deemed independent. Furthermore, the company's board must make an affirmative determination that the director has no other material relationship beyond those included in the bright-line tests that would preclude independence. Neither NYSE nor Nasdaq views ownership of company stock, even significant ownership, by itself, as a per se bar to an independence finding, although a company's board may determine in its business judgment that significant ownership, or significant ownership along with other facts and circumstances, could interfere with a director's independent judgment.

What are the requirements concerning the independence of board committees?

NYSE and Nasdaq require that the board have a standing audit committee composed solely of independent directors. Both listing standards apply additional, more stringent independence standards with respect to audit committee members, including (1) that the member not have received any compensatory fee, directly or indirectly, from the company other than for board or committee service or under a retirement plan (including deferred compensation) for prior service with the company (provided that such compensation is not contingent in any way on continued service) and (2) that the member not be an "affiliated person" of the company.

The NYSE rules require that the board have standing compensation and nominating committees composed solely of independent directors. Although Nasdaq does not require that the board maintain standing compensation and nominating committees, it does require that executive compensation decisions and director nomination decisions, respectively, be made only by independent directors of the board.

Are there any exceptions to the independence requirements for companies with a 50% or greater shareholder?

Under NYSE and Nasdaq rules, so long as more than 50% of the voting power of a company is held by an individual, a group or another company, that company is not subject to the majority board independence requirement as well as the requirements regarding independent compensation and nominating and corporate governance committees. It is our understanding that PGE does not plan to avail itself of these exceptions while 50% or more of its issued stock is held by the Reserve pending issuance to holders of allowed claims and that PGE intends to fully comply, and maintain compliance, with each of the independence requirements prior to the distribution of new PGE common shares.

What is the significance of the requirement for independent directors to meet regularly in executive session?

Under the Nasdaq rules, the independent directors of the board must meet regularly in executive session; Nasdaq recommends at least two times per year. Under the NYSE rules, non-management directors of the board must regularly meet in executive session, and if any of the non-management directors is not also "independent" under the NYSE rules, then those directors that are independent must meet in executive session at least once per year. These requirements help to ensure that the board has opportunities to consider and openly discuss matters affecting the company without the potential influence or specter of management directors present at the meeting. As with the other requirements concerning independence, this requirement is regarded as serving as a "check and balance" on management influence over the affairs of the company or other potential conflicts of interest situations.

Qualifications of Michael P. Rogan

My name is Michael P. Rogan, and I am a partner in the Washington, D.C. office of Skadden, Arps, Slate, Meagher & Flom LLP. I received my undergraduate degree from Oberlin College in 1970, and my law degree from the University of Connecticut in 1974. I joined Skadden, Arps in 1980 and became a partner in 1984. I have headed the Washington, D.C. office Corporate Group since 1994 and have been the leader of the firm's Washington, D.C. office since 1998. Prior to joining Skadden, Arps, I spent five years working as an attorney on the staff of the Securities and Exchange Commission.

My law practice primarily concentrates in the areas of mergers and acquisitions, securities regulation, corporate finance and corporate governance. I have significant experience with both the federal securities laws and state corporate laws, particularly those of the state of Delaware, and I provide corporate and securities law advice to a number of public companies on an ongoing basis. I also regularly advise boards of directors with respect to the Sarbanes-Oxley Act of 2002 and the requirements of the New York Stock Exchange and The Nasdaq Stock Market, Inc. I have significant experience with companies in the energy field, and my regular clients include electric and gas utilities and diversified energy companies.

Qualifications of Thomas P. Palmer

My name is Thomas P. Palmer. I am a partner in the law firm of Tonkon Torp LLP in Portland, Oregon. My practice emphasizes securities and general corporate matters, including mergers and acquisitions, initial public offerings, other equity and debt offerings and private placements. I also advise clients in corporate governance, SEC disclosure matters and general corporate counseling. I am the chair of Tonkon Torp LLP's Corporate Finance Group.

I am admitted to practice in the state of Oregon. I am also a member of the District of Columbia Bar and the Association of the Bar of the City of New York. I received my Bachelor's Degree from Hamilton College in 1973 and my Law Degree from Cornell University in 1976.

This concludes our testimony.

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CERTIFICATE OF SERVICE

I hereby certify that on this day I served the **TESTIMONY OF JAMES J. PIRO AND MITCHELL S. TAYLOR, TESTIMONY OF ELIZABETH KARDOS, TESTIMONY OF MICHAEL P. ROGAN AND THOMAS P. PALMER** as well as **REQUEST FOR OFFICIAL NOTICE** by electronic mail where available to each party listed below, and by mailing a copy thereof in a sealed envelope, first-class postage prepaid, addressed to each party listed below, deposited in the U.S. Mail at Portland, Oregon.

DATED: August 10, 2005.

Michael M. Morgan

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