



**Portland General Electric Company**  
121 SW Salmon Street, Portland, Oregon 97204

April 3, 2007

Commission Filing Center  
Public Utility Commission of Oregon  
550 Capital Street, N.E.  
Salem, OR 97310-1380

Re: UF 4239 - PGE Finance Application for Employee Stock Purchase Plan

On March 22, 2007, Portland General Electric (PGE) filed a finance application requesting Commission authority to issue up to 625,000 shares of PGE common stock for its Employee Stock Purchase Plan. PGE has discovered several minor errors in the application and exhibits. These errors do not affect the understanding or purpose of the application, but PGE believes they should be corrected to make the application accurate. Table 1 below summarizes the revisions. Attachment 1 contains the corrected pages and exhibits. Attachment 2 is a red-line/strike-out comparison of the initial and revised versions of the appropriate pages in the application.

<u>Page</u>	<u>Revision Description</u>
Application, page 6	Corrected outstanding amounts for two pollution control bonds, added 7.75% Preferred Stock Series
Exhibit E	“Adjusted Totals” column should equal “December 31, 2006” column. Removed “subject to audit” language – financials are final.
Exhibit F	Added information regarding receivables and refunds on wholesale transactions. Removed information regarding Multnomah County Business Income Taxes and International Brotherhood of Electrical Workers since these two items are no longer considered contingent liabilities.
Exhibit G	“Adjusted Totals” column should equal “December 31, 2006” column. Removed “subject to audit” language – financials are final.
Exhibit H	Removed “subject to audit” language – financials are final.

UF 4239 – PGE Finance Application for Employee Stock Purchase Plan  
April 3, 2007  
Page 2

Should you have any questions or require further information, please call me at 503-464-7580.

Sincerely,

Patrick G. Hager  
Manager, Regulatory Affairs

cc: Kirk Stevens  
Nora Arkonovich  
Doug Tingey  
Bryan Conway, OPUC

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**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

In the Matter of the Application of PORTLAND  
GENERAL ELECTRIC COMPANY for an Order  
Authorizing the Issuance and Sale of up to 625,000  
Shares of Common Stock

UF-\_\_\_\_\_  
APPLICATION

**I. Background**

Portland General Electric Company (“PGE” or “Company”) hereby requests an order, pursuant to ORS 757.415, authorizing PGE to issue up to 625,000 authorized but unissued shares of its common stock under its recently adopted Portland General Electric Company 2007 Employee Stock Purchase Plan (the “Plan”). The Plan (Attachment 1 to this Application) has been adopted by the Board of Directors of PGE and forms part of PGE’s overall compensation program. The Plan is intended to qualify as an “employee stock purchase plan” under Section 423 of the Internal Revenue Code. The purpose of the Plan is to help attract and retain talented employees and to provide an additional incentive for employees to contribute to company performance by providing a convenient means by which PGE employees can purchase shares of PGE common stock. Stock purchase plans such as the Plan are common in the industry.

Any employee of PGE or a participating subsidiary whose customary employment is at least 20 hours per week is eligible to participate in the Plan. Each year during the term of the Plan there will be two six-month offering periods, during which eligible employees will have the right to purchase shares of PGE common stock at a price per share equal to 95% of the fair market value of the stock on the purchase date. The offering periods will run from January 1<sup>st</sup> through June 30<sup>th</sup> and from July 1<sup>st</sup> through December 31<sup>st</sup>, with the first offering expected to

begin on July 1, 2007. The purchase date for each offering period will be the last trading day of the offering period. Eligible employees are able to participate in the Plan by authorizing payroll deductions from each paycheck during an offering period. The amount deducted from each paycheck must be at least 1% and no more than 10% of the participant's regular straight time gross earnings for the period covered by the paycheck. An employee may not continue to participate in the Plan if, after a purchase of shares, the employee would own or be deemed to own stock possessing 5% or more of the total combined voting power or value of all classes of stock of PGE or any parent or subsidiary. In addition, no employee will be entitled to purchase more than 1,500 shares of common stock per year under the Plan, or to purchase more than \$25,000 worth of shares (based on the fair market value on the purchase date) per year under the Plan and all of our similar plans (of which, at this time, there are none).

The Plan will be administered by the Compensation and Human Resources Committee of the Board of Directors (the "Committee"), which may delegate some or all of its administrative duties and authority to one or more PGE employees. The Committee may promulgate rules and regulations for the operation of the Plan, adopt forms for use in connection with the Plan, and decide any question or interpretation of the Plan or rights arising under the Plan.

The Board of Directors may from time to time amend the Plan, except that without approval of the shareholders of PGE, the Board of Directors may not increase the number of shares reserved for the Plan or decrease the purchase price of the shares offered under the Plan.

The aggregate number of shares of PGE common stock that may be issued under the Plan is 625,000. The Plan will automatically terminate when all of the shares reserved for the Plan have been purchased.

## II. Requirements

(1) In accordance with ORS 757.415 and OAR 860-027-0030(1) of the Oregon Administrative Rules of the Public Utility Commission (“Commission”), PGE respectfully represents:

(a) The name and address of the Applicant is Portland General Electric Company, 121 SW Salmon Street, Portland, Oregon 97204.

(b) The Applicant is a corporation organized and existing under and by the laws of the State of Oregon, and the date of its incorporation is July 25, 1930. PGE is authorized to transact business in the states of Oregon, Washington, California, Idaho, Utah and Montana, but conducts retail utility business only in the State of Oregon. As of February 21, 1995, PGE is also registered as an extra provincial corporation in Alberta, Canada.

(c) The names and addresses of the persons authorized to receive notices and communications in respect of this Application:

PGE-OPUC Filings  
Rates & Regulatory Affairs  
Portland General Electric Company  
121 SW Salmon Street, 1WTC0702  
Portland, OR 97204  
(503) 464-7857 (telephone)  
(503) 464-7651 (telecopier)  
[pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com)

The names and addresses to receive notices and communications via the e-mail service list are:

Patrick G. Hager, Manager Regulatory Affairs  
E-Mail: [patrick.hager@pgn.com](mailto:patrick.hager@pgn.com), and

Douglas C. Tingey, Assistant General Counsel  
E-Mail: [doug.tingey@pgn.com](mailto:doug.tingey@pgn.com)

(d) The names and titles of the principal officers of the Applicant as of March 1, 2007, are as follows:

<u>Name</u>	<u>Title</u>
Peggy Y. Fowler	Chief Executive Officer & President
James J. Piro	Executive Vice President, Finance, Chief Financial Officer & Treasurer
Stephen R. Hawke	Senior Vice President
Arleen Barnett	Vice President
Carol A. Dillin	Vice President
Campbell A. Henderson	Vice President & Chief Information Officer
Ronald W. Johnson	Vice President
Pamela G. Lesh	Vice President
James F. Lobdell	Vice President
Joe A. McArthur	Vice President
Douglas R. Nichols	Vice President, General Counsel & Secretary
Stephen M. Quennoz	Vice President, Nuclear & Power Supply/ Generation
Kirk M. Stevens	Controller and Assistant Treasurer
Kristin A. Stathis	Assistant Treasurer
Cheryl A. Chevis	Assistant Secretary
Karen J. Lewis	Assistant Secretary
Steven F. McCarrel	Assistant Secretary

(e) The Applicant is engaged in the generation, purchase, transmission, distribution, and sale of electric energy for public use in Clackamas, Columbia, Hood River, Jefferson, Marion, Morrow, Multnomah, Polk, Washington, and Yamhill counties, Oregon.

(f) The capital stock as of December 31, 2006, is as follows:

	<u>Outstanding</u>	
	Shares	Amount (\$000s)
<i>Cumulative Preferred Stock: *</i>		
No Par Value (30,000,000 shares authorized):		
7.75% Series	<u>159,727</u>	<u>15,972</u>

*Common Stock:*

No Par Value (80,000 shares authorized):	<u>62,504,767</u>	<u>643,000</u>
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\*As required by SFAS No. 150, PGE's 7.75% Series preferred stock has been reclassified Long-Term Debt, effective July 1, 2003, and the Company began recording the related dividends as interest expense.

In accordance with Enron's Chapter 11 Plan, on April 3, 2006, PGE issued 62.5 million shares (of 80 million, no par value, shares authorized) of PGE common stock. Approximately 35.5 million shares were issued to a Disputed Claims Reserve (DCR). Approximately 3.5 million shares of PGE common stock have been released from the DCR, with approximately 32 million shares held in the DCR as of February 1, 2007.

In addition, the Company has been informed that Harbinger Capital Partners Master Fund I, Ltd., Harbinger Capital Partners Offshore Manager, LLC., HMC Investors, LLC, Harbert Management Corporation, Philip Falcone, Raymond J. Harbert, and Michael D. Luce (collectively "Harbinger") have acquired approximately 7.3 percent of PGE's issued and outstanding common stock. Harbinger Capital Partners Master Fund, I, Ltd. Reported to the Securities and Exchange Commission in its Schedule 13 G filed May 4, 2006, that it holds 4,625,000 shares.

None of the capital stock is held as reacquired securities, pledged, or held in any sinking or other fund by the Company.

(g) The long-term debt as of December 31, 2006, is as follows:

<u>Description</u>	<u>Authorized</u>	<u>Outstanding</u> (\$000)
<b>First Mortgage Bonds</b>		
Maturing 2007 - (7.15%) MTN Series 4	50,000	50,000
Maturing 2010 - (8 1/8%)	-	-
Maturing 2012 - (5.6675%)	100,000	100,000
Maturing 2013 - (5.279% )	50,000	50,000
Maturing 2013 - ( 5.625%)	50,000	50,000

Maturing 2021 – (9.31%) MTN Series	20,000	20,000
Maturing 2023 - (6.75%) Series VI	50,000	50,000
Maturing 2031 - (6.26%)	100,000	100,000
Maturing 2033 (6.875%) Series VI	50,000	50,000
Maturing 2036 - (6.31%)	175,000	175,000
	<b>645,000</b>	<b>645,000</b>

**Pollution Control Bonds**

Port of Morrow, Oregon, variable rate, due 2033 (5.20% fixed rate to 2009)	23,600	23,600
City of Forsyth, Montana, variable rate, due 2033(5.20%)	21,000	21,000
City of Forsyth, Montana, fixed rate to 2009, due 2033 (5.45%)	97,800	97,800
Port of St. Helens, Oregon, 4.8% due 2010	20,200	20,200
Port of St. Helens, Oregon, 4.80% due 2010 (Posh Variable Rate)	16,700	16,700
Port of St. Helens, Oregon, due 8-01-2014 5.25%	9,600	9,600
Port of St. Helens, Oregon, due 12-15-20 7.13% fixed rate)	5,100	5,100
	<b>194,000</b>	<b>194,000</b>

**Other Long Term Debt**

6.91% Conservation Bonds maturing monthly to 2006	0	0
7.875% Notes due March 15, 2010	149,250	149,250
Capital Lease Obligations	0	0
Long-Term Contracts	73	73
Unamortized Debt Discount and Other	-1,010	-1,010
7.75% Series Cumulative Preferred Stock	15,972	15,972
Total Other Long- Term Debt	<b>164,285</b>	<b>164,285</b>

**Less: Maturities and Sinking Funds**

First Mortgage Bond Principal	50,000	50,000
Other Long-term Debt	15,972	15,972
Total Current Liabilities	65,972	65,972

**Total Long-term Debt** **937,313** **937,313**

(a) Consists of 7.15% First Mortgage Bonds due June 15, 2007 and the 7.75% Series Cumulative Preferred Stock.

(b) The 7.75% Series Cumulative Preferred Stock (no par value), which is mandatorily redeemable, is classified as long-term debt in accordance with SFAS No. 150. The preferred stock series is redeemable by operation of a sinking fund that requires the annual redemption of 15,000 shares at \$100 per share beginning in 2002, with all remaining shares to be redeemed by sinking fund in 2007. At its option, PGE may redeem, through the sinking fund, an additional 15,000 shares each year. Open market share purchases can be applied towards the annual redemption requirement. In 2006, PGE redeemed 30,000 shares, consisting of 15,000 shares for the annual sinking fund requirement and 15,000 additional shares acquired at its option. At December 31, 2006, there were 159,727 shares outstanding. None of the long term debt is pledged or held as reacquired securities, by affiliated corporations, or in any fund, except as noted above.

(h) A description of the securities proposed is provided in Section I of the Application.

(i) A description of proposed transaction responsive to subparts (a)-(c) is provided in Section I of the Application. As to subpart (d), an exemption from federal or state competitive bidding requirements has not been obtained because no such requirements exist with the respect to the issuance of PGE common stock under the Plan.

(j) A description of those entitled to transaction or other fees: There will be no compensation to any underwriter, bank or agent for their services in connection with the issuance of the common stock that is the subject of this application other than routine fees to PGE's registrar and transfer agent and usual and customary fees for record-keeping with regard to the Plan.

(k) A description of Commissions and Net Proceeds: Shares of PGE common stock issued under the Plan will be issued periodically in accordance with the offerings made under the Plan at the time of the purchases. It is not possible to determine the economic value of such shares of common stock until they are ultimately issued.

(l) Purpose for Issuance of Securities: See Section I of the Application.

(m) Other Federal and State Applications: The appropriate forms or other appropriate filing will be filed with the Securities and Exchange Commission depending on the nature of the issuance of the PGE common stock.

(n) Facts Showing that Issuance is Lawful, Appropriate, and in the Public Interest: See Section I of the Application. The requested approval will allow PGE to provide incentives that will help attract and retain talented employees at PGE and provide an additional incentive to contribute to company performance. PGE believes the requested approval is in the public interest and is consistent with and will aid PGE in providing service as a public utility.

(o) A statement on Acquisition of Rights: Not applicable.

(p) A statement on Affiliated Interest Transactions: Not applicable.

### **III. Required Exhibits**

The following exhibits are required by OAR 860-027-0030(2) and submitted and by reference made a part of this application:

Exhibit A *Articles of Incorporation, as Amended and Restated*, effective on April 3, 2006 (Amended and Restated Articles previously filed in Docket UP 234 and by reference made a part of this application).

Exhibit B *Bylaws as amended and restated* (Fourth Amended and Restated Bylaws previously filed in Docket UP 237 and by reference made a part of this application).

Exhibit C *Copies of resolutions* of directors authorizing the proposed disposition.  
A copy of the resolution dated October 26, 2006 is provided as Exhibit "C".

Exhibit D *Copies of any mortgage, indentures, or agreement securing any security it proposes to guarantee.*

None.

Exhibit E *Balance sheet showing booked amounts, adjustments to record the proposed transactions and pro forma* as of December 31, 2006.

Exhibit F *Statement of Contingent Liabilities* as of December 31, 2006.

Exhibit G *Income statement for the 12-month period ended* December 31, 2006.

Exhibit H *Analysis of retained earnings* for the 12-month period ended December 31, 2006.

Exhibit I *A copy of registration statement proper, if any, and financial exhibits made a part thereof, filed with the Securities and Exchange Commission.*

To be provided when it becomes available.

Exhibit J *A copy of the proposed and publication of proposals for purchase of underwriting of securities:*

Not applicable.

Exhibit K *A copy of any stock certificates, notes, or other evidences of indebtedness:*

Not Applicable.

#### **IV. Conclusion**

WHEREFORE, PGE respectfully requests an Order authorizing the proposed issuance of up to 625,000 authorized but unissued shares of PGE common stock under its 2007 Employee Stock Purchase Plan.

DATED this \_\_\_\_ day of March , 2007.

Portland General Electric Company

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**Exhibits Attached to Application:**

**(Please do NOT place these attachments on the OPUC Website)**

C	Copies of resolutions of directors	Electronic (.PDF file)
E	Balance Sheet for transaction	Electronic (.PDF file)
F	Statement of Contingent Liabilities	Electronic (.PDF file)
G	Statement of Income	Electronic (.PDF file)
H	Analysis of Retained Earnings	Electronic (.PDF file)
I	Statement of Market Value of Security	Not yet available
	Attachment 1 – Employee Stock Option Plan	Electronic (.PDF file)

**Exhibit "F"**  
**Statement of Contingent Liabilities**

As of December 31, 2006

**Trojan Investment Recovery** - In 1993, following the closure of the Trojan Nuclear Plant as part of its least cost planning process, PGE sought full recovery of, and a rate of return on, its Trojan plant costs, including decommissioning, in a general rate case filing with the OPUC. In 1995, the OPUC issued a general rate order which granted the Company recovery of, and a rate of return on, 87% of its remaining investment in Trojan plant costs, and full recovery of its estimated decommissioning costs through 2011.

Numerous challenges, appeals and reviews were subsequently filed in the Marion County Circuit Court, the Oregon Court of Appeals, and the Oregon Supreme Court on the issue of the OPUC's authority under Oregon law to grant recovery of, and a return on, the Trojan investment. The primary plaintiffs in the litigation were the Citizens' Utility Board (CUB) and the Utility Reform Project (URP). The Oregon Court of Appeals issued an opinion in 1998, stating that the OPUC does not have the authority to allow PGE to recover a return on the Trojan investment, but upholding the OPUC's authorization of PGE's recovery of the Trojan investment and ordering remand of the case to the OPUC. PGE, the OPUC, and URP each requested the Oregon Supreme Court to conduct a review of the Court of Appeals decision. On November 19, 2002, the Oregon Supreme Court dismissed the petitions for review. As a result, the 1998 Oregon Court of Appeals opinion stands and the case has been remanded to the OPUC (1998 Remand).

In 2000, while the petitions for review of the 1998 Court of Appeals decision were pending at the Oregon Supreme Court, PGE, CUB, and the staff of the OPUC entered into agreements to settle the litigation related to PGE's recovery of, and return on, its investment in the Trojan plant. URP did not participate in the settlement. The settlement, which was approved by the OPUC in September 2000, allowed PGE to remove from its balance sheet the remaining before-tax investment in Trojan of approximately \$180 million at September 30, 2000, along with several largely offsetting regulatory liabilities. The largest of such amounts consisted of before-tax credits of approximately \$79 million in customer benefits related to the previous settlement of power contracts with two other utilities and the approximately \$80 million remaining credit due customers under terms of the 1997 merger of the Company's parent corporation at the time (Portland General Corporation) with Enron. The settlement also allowed PGE recovery of approximately \$47 million in income tax benefits related to the Trojan investment which had been flowed through to customers in prior years; such amount was substantially recovered from PGE customers by the end of 2006. After offsetting the investment in Trojan with these credits and prior tax benefits, the remaining Trojan regulatory asset balance of approximately \$5 million (after tax) was expensed. As a result of the settlement, PGE's investment in Trojan is no longer included in rates charged to customers, either through a return of or a return on that investment. Authorized collection of Trojan decommissioning costs is unaffected by the settlement agreements or the OPUC orders.

The URP filed a complaint with the OPUC challenging the settlement agreements and the OPUC's September 2000 order. In March 2002, the OPUC issued an order (2002 Order) denying all of URP's challenges, and approving the accounting and ratemaking elements of the 2000 settlement. URP appealed the 2002 Order to the Marion County Circuit Court. On November 7, 2003, the Marion County Circuit Court issued an opinion remanding the case to the OPUC for action to reduce rates or order refunds (2003 Remand). The opinion does not specify the amount or timeframe of any reductions or refunds. PGE and the OPUC have appealed the 2003 Remand to the Oregon Court of Appeals.

The OPUC combined the 1998 Remand and the 2003 Remand into one proceeding and is considering the matter in phases. The first phase addresses what rates would have been if the OPUC had interpreted the

law to prohibit a return on the Trojan investment. The subsequent phases will address reconciling the results of the first phase with actual rates, and adjusting rates to the extent necessary. On November 15, 2006, PGE filed a motion with the OPUC to Consolidate Phases and Re-Open the Record. A ruling on the motion is pending.

On February 16, 2007, the Oregon Court of Appeals declined to reverse or abate the 2003 Remand and ordered the parties to file revised briefs with the Court of Appeals.

In a separate legal proceeding, two class action suits were filed in Marion County Circuit Court against PGE on January 17, 2003 on behalf of two classes of electric service customers. One case seeks to represent current PGE customers that were customers during the period from April 1, 1995 to October 1, 2000 (Current Class) and the other case seeks to represent PGE customers that were customers during the period from April 1, 1995 to October 1, 2000, but who are no longer customers (Former Class, together with the Current Class, the Class Action Plaintiffs). The suits seek damages of \$190 million for the Current Class and \$70 million for the Former Class, as a result of the inclusion of a return on investment of Trojan in the rates PGE charges its customers. On December 14, 2004, the Judge granted the Class Action Plaintiffs' motion for Class Certification and Partial Summary Judgment and denied PGE's motion for Summary Judgment. On March 3, 2005 and March 29, 2005, PGE filed two Petitions for an Alternative Writ of Mandamus with the Oregon Supreme Court, asking the Court to take jurisdiction and command the trial Judge to dismiss the complaints or to show cause why they should not be dismissed and seeking to overturn the Class Certification. On August 31, 2006, the Oregon Supreme Court issued a ruling on PGE's Petitions for Alternative Writ of Mandamus, abating the class action proceedings until the OPUC responds to the 2003 Remand (described above). The Oregon Supreme Court concluded that the OPUC has primary jurisdiction to determine what, if any, remedy it can offer to PGE customers, through rate reductions or refunds, for any amount of return on the Trojan investment PGE collected in rates for the period from April 1995 through October 2000. The Supreme Court further stated that if the OPUC determines that it can provide a remedy to PGE's customers, then the class action proceedings may become moot in whole or in part, but if the OPUC determines that it cannot provide a remedy, and that decision becomes final, the court system may have a role to play. The Supreme Court also ruled that the plaintiffs retain the right to return to the Marion County Circuit Court for disposition of whatever issues remain unresolved from the remanded OPUC proceedings. On October 5, 2006, the Marion County Circuit Court issued an Order of Abatement in response to the ruling of the Oregon Supreme Court, abating the class actions for one year.

On February 14, 2005, PGE received a Notice of Potential Class Action Lawsuit for Damages and Demand to Rectify Damages from counsel representing Frank Gearhart, David Kafoury and Kafoury Brothers, LLC (Potential Plaintiffs), stating that Potential Plaintiffs intend to bring a class action lawsuit against the Company. Potential Plaintiffs allege that for the period from October 1, 2000 to the present, PGE's electricity rates have included unlawful charges for a return on investment in Trojan in an amount in excess of \$100 million. Under Oregon law, there is no requirement as to the time the lawsuit must be filed following the 30-day notice period. No action has been filed to date. Management cannot predict the ultimate outcome of the above matters. However, it believes these matters will not have a material adverse impact on the financial condition of the Company, but may have a material impact on the results of operations and cash flows for a future reporting period. No reserves have been established by PGE for any amounts related to this issue.

**Colstrip Royalty Claim** - Western Energy Company (WECO) supplies coal from the Rosebud Mine in Montana under a Coal Supply Agreement and a Transportation Agreement with owners of Colstrip Units 3 and 4, in which PGE has a 20% ownership interest. In 2002 and 2003, WECO received two orders from the Office of Minerals Revenue Management of the U.S. Department of the Interior which asserted underpayment of royalties and taxes by WECO related to transportation of coal from the mine to Colstrip

during the period October 1991 through December 2001. WECO subsequently appealed the two orders to the Minerals Management Service (MMS) of the U.S. Department of the Interior. On March 28, 2005, the appeal by WECO was substantially denied. On April 28, 2005, WECO appealed the decision of the MMS to the Interior Board of Land Appeals of the U.S. Department of the Interior. In late September 2006, WECO received an additional order from the Office of Minerals Revenue Management to report and pay additional royalties for the period January 2002 through December 2004.

In May 2005, WECO received a "Preliminary Assessment Notice" from the Montana Department of Revenue, asserting claims similar to those of the Office of Minerals Revenue Management. WECO has indicated to the owners of Colstrip Units 3 and 4 that, if WECO is unsuccessful in the above appeal process, it will seek reimbursement of any royalty payments by passing these costs on to the owners. The owners of Colstrip Units 3 & 4 advised WECO that their position would be that these claims are not allowable costs under either the Coal Supply Agreement or the Transportation Agreement.

Management cannot predict the ultimate outcome of the above matters or estimate any potential loss. Based on information currently known to the Company's management, the Company does not expect that this issue will have a material adverse effect on its financial condition, results of operations or cash flows. If WECO is able to pass any of these costs on to the owners, the Company would most likely seek recovery through the ratemaking process.

**Harborton** - A 1997 investigation by the EPA of a 5.5 mile segment of the Willamette River known as the Portland Harbor revealed significant contamination of sediments within the harbor. The EPA subsequently included the Portland Harbor on the federal National Priority List pursuant to the federal Comprehensive Environmental Response, Compensation, and Liability Act (Superfund). In December 2000, PGE received a "Notice of Potential Liability" regarding its Harborton Substation facility and was listed, along with sixty-eight other companies, on a list of Potentially Responsible Parties (PRPs) with respect to the Portland Harbor Superfund Site.

In February 2002, PGE provided a report on its remedial investigation of the Harborton site to the DEQ. The report concluded that there is no likely present or past source or pathway for release of hazardous substances to surface water or sediments in the Portland Harbor Superfund Site at or from the site and that the site does not present a high priority threat to present and future public health, safety, welfare, or the environment. The DEQ submitted the report to the EPA and, in a May 18, 2004 letter, the EPA notified the DEQ that based on the summary information from the DEQ and the stage of the process, the EPA as of that time, agreed the Harborton site does not appear to be a current source of contamination to the river.

In December 6, 2005 letter, the DEQ notified PGE that the site is not likely a current source of contamination to the river and that the site is a low priority for further action. Management believes that the Company's contribution to the sediment contamination, if any, from the Harborton Substation site would qualify it as a de minimis PRP.

Sufficient information is currently not available to determine either the total cost of investigation and remediation of the Portland Harbor or the liability of PRPs, including PGE. Management cannot predict the ultimate outcome of this matter or estimate any potential loss. However, it believes this matter will not have a material adverse impact on the Company's financial statements.

**Harbor Oil** - Harbor Oil, Inc. (Harbor Oil), located in north Portland, was utilized by PGE to process used oil from the Company's power plants and electrical distribution system from at least 1990 until 2003. Harbor Oil is also utilized by other entities for the processing of used oil and other lubricants. In 1974 and 1979, major oil spills occurred at the Harbor Oil site that impacted an approximate two acre area.

Elevated levels of contaminants, including metals, pesticides, and PCBs, have been detected at the site. On September 29, 2003, Harbor Oil was included on the federal National Priority List as a federal Superfund site.

PGE received a Special Notice Letter for Remedial Investigation/Feasibility Study from the EPA, dated June 27, 2005, in which the Company was named as one of fourteen PRPs with respect to the Harbor Oil site. The letter started a period for the PRPs to participate in negotiations with the EPA to reach a settlement to conduct or finance a Remedial Investigation and Feasibility Study of the Harbor Oil site. PGE, along with other PRPs, is negotiating an Administrative Order of Consent with the EPA to conduct a Remedial Investigation/Feasibility Study.

Sufficient information is currently not available to determine either the total cost of investigation and remediation of the Harbor Oil Site or the liability of the PRPs, including PGE. Management cannot predict the ultimate outcome of this matter. However, it believes this matter will not have a material adverse impact on the Company's financial statements.

### **Receivables - California Wholesale Market**

As of December 31, 2006, PGE has net accounts receivable balances totaling approximately \$63 million from the California Independent System Operator (ISO) and the California Power Exchange (PX) for wholesale electricity sales made from November 2000 through February 2001. The Company estimates that the majority of this amount was for sales by the ISO and PX to Southern California Edison Company and Pacific Gas & Electric Company.

In March 2001, the PX filed for bankruptcy and in April 2001, Pacific Gas & Electric Company filed a voluntary petition for relief under the provisions of Chapter 11 of the federal Bankruptcy Code. PGE filed a proof of claim in each of the proceedings for all past due amounts. Although both entities have emerged from their bankruptcy proceedings as reorganized debtors, not all claims filed in the proceedings, including those filed by PGE, have been resolved. PGE is continuing to pursue collection of these claims.

Management continues to assess PGE's exposure relative to these receivables. Based upon FERC orders regarding the methodology to be used to calculate refunds related to California wholesale sales (see "Refunds on Wholesale Transactions" below) and the FERC's indication that potential refunds can be offset with accounts receivable related to such sales, PGE has established reserves totaling \$40 million related to this receivable amount. The Company is examining numerous options, including legal, regulatory, and other means, to pursue collection of any amounts ultimately not received through the bankruptcy process.

### **Refunds on Wholesale Transactions**

#### **California**

On July 25, 2001, the FERC issued an order in the California refund case (Docket No. EL00-95) establishing the scope of and methodology for calculating refunds for wholesale sales transactions made between October 2, 2000 and June 20, 2001 in the spot markets (defined by the FERC as 24 hours or less) operated by the ISO and PX. The order established evidentiary hearings to develop a factual record to provide the basis for the refund calculation. Several additional orders clarifying and further defining the methodology were issued by the FERC and all have been appealed by numerous parties. A hearing was held in 2002 and, on March 26, 2003, the FERC issued an order ruling on various outstanding issues as to how refunds were to be determined. Under this order, PGE estimates its potential liability at between \$40 million and \$50 million, of which \$40 million has been established as a reserve, as discussed above.

Numerous parties, including PGE, filed requests for rehearing of various aspects of the March 26, 2003 order, including the methodology for the pricing of natural gas within the refund formula. On October 16, 2003, the FERC issued an order reaffirming, in large part, the methodology adopted in its March 26, 2003 order. PGE does not agree with the FERC's methodology for determining potential refunds, and, on December 20, 2003 the Company appealed the FERC's October 16, 2003 order to the U.S. Ninth Circuit Court of Appeals; several other parties have also appealed the October 16, 2003 order. On May 12, 2004, the FERC issued an order that denied further requests for rehearing of the October 16, 2003 order. Although there continue to be miscellaneous orders issued in the underlying FERC proceeding, the Ninth Circuit has now begun to hear the numerous appeals. It bifurcated appeals of the existing cases into two phases. The first phase (Phase I) considered arguments regarding jurisdictional issues and the permissible scope of refund liability, both in terms of the time frame for which refunds were ordered and the types of transactions subject to refund. The second phase will consider the issues relating to the refund methodology itself. PGE expects that the Court will establish additional phases as the issues remaining before the FERC become final and are appealed.

As to the jurisdictional issues in Phase I, on September 6, 2005, the Court ruled that the FERC did not have jurisdiction to order municipal utilities and other governmental entities to make refunds for the sales they had made to the ISO and PX that are the subject of the refund proceeding. Requests for rehearing have been filed with regard to this decision.

On August 2, 2006, the Ninth Circuit issued its decision on the remainder of the issues in Phase I (Refund Scope Decision). It upheld the refund effective date of October 2, 2000, but remanded to the FERC the issue of whether it should order refunds for the summer 2000 period pursuant to its authority under Section 309 of the Federal Power Act (FPA) to remedy tariff violations. It also affirmed the FERC's orders on the scope of the refund proceeding, except with regard to the FERC's exclusion of ISO and PX contracts in excess of 24 hours and energy exchanges, and held that transactions in the ISO and PX markets with a duration in excess of 24 hours, as well as energy exchanges, should be included within the scope of the refund case. Although the August 2, 2006 Ninth Circuit decision did not mandate industry-wide refunds for the summer 2000 period, it is possible that, upon remand, the FERC could decide to order such additional refunds. Management cannot predict the outcome of any proceeding or how summer refunds, if they are ordered, might be calculated.

The Ninth Circuit has ordered an extension of the due date for the filing of requests for rehearing of its Refund Scope Decision until April 29, 2007, establishing a mediation process and urging the parties to use the time to assess possibilities of settlement.

Within the refund case, the FERC also issued a series of orders that permit generators serving California to recover certain costs of emission allowances and the costs of fuel incurred to generate power that were in excess of the gas cost component used to establish the refund liability. Under the methodology adopted by the FERC to allocate fuel costs, PGE could be required to pay additional amounts in those hours when it was a net buyer in California spot markets, thus increasing its net refund liability. PGE does not expect a material increase in the Company's potential refund exposure. Partly as a means of limiting its exposure to additional fuel costs and other potential refund liabilities, PGE has opted to become a participant in several settlements filed in the refund case since 2004.

In August 2005, PGE joined in a settlement agreement resolving issues relating to the allocation of the wind-up costs of the PX for both past and future periods. The settlement has been approved by the FERC. Although under the agreement PGE will bear certain additional costs associated with PX obligations to conduct and finalize refund calculations, PGE does not expect those costs to be material to its financial statements.

In several of its underlying refund orders, the FERC has indicated that if marketers, such as PGE, believe that the level of their refund liability has caused them to incur an overall revenue shortfall for their sales to the ISO and PX during the refund period, they will be permitted to file a cost study to prove that they should be permitted to recover additional revenues in excess of the mitigated prices in order to cover their costs. By order issued August 8, 2005, the FERC provided guidelines regarding the manner in which these studies should be conducted and the principles that should govern their preparation. On September 14, 2005, PGE filed a cost recovery study with the FERC. By order issued November 2, 2006, the FERC accepted, subject to PGE making certain additional revisions, a revised cost recovery study that had been filed by PGE in response to an earlier January 26, 2006 order. Pursuant to the November 2, 2006 order, PGE filed a final cost study with the ISO that now reflects an approximate \$19.8 million cost offset to its refund obligation. Third parties have challenged PGE's cost recovery filings and made numerous requests that they be rejected in their entirety or that the cost offset be reduced to zero. PGE has filed responses to those challenges.

PGE believes that the FERC erred in certain findings in its orders regarding PGE's cost recovery and has filed requests for rehearing as to several issues in those orders. Due to the continuing uncertainty related to these matters, PGE has made no adjustment to the \$40 million reserve previously established for the Company's potential liability, as described above.

The FERC has indicated that any refunds PGE may be required to pay related to California wholesale sales (plus interest from collection date) can be offset by accounts receivable (plus interest from due date) related to sales in California (see "Receivables - California Wholesale Market" above). In addition, any refunds paid or received by PGE applicable to spot market electricity transactions on and after January 1, 2001 in California may be eligible for inclusion in the calculation of net variable power costs under the Company's power cost adjustment mechanism in effect at that time. This could further mitigate the financial effect of any refunds made or received by the Company.

#### **Challenge of the California Attorney General to Market-Based Rates**

On March 20, 2002, the California Attorney General filed a complaint with the FERC against various sellers in the wholesale power market, alleging that the FERC's authorization of market-based rates violated the FPA, and, even if market-based rates were valid under the FPA, that the quarterly transaction reports required to be filed by sellers, including PGE, did not contain the transaction-specific information mandated by the FPA and the FERC. The complaint argued that refunds for amounts charged between market-based rates and cost-based rates should be ordered. The FERC denied the challenge to market-based rates and refused to order refunds, but did require sellers, including PGE, to re-file their quarterly reports to include transaction-specific data. The California Attorney General appealed the FERC's decision to the Ninth Circuit. On September 8, 2004, the Court issued an opinion upholding the FERC's authority to approve market-based tariffs, but also holding that the FERC had the authority to order refunds, if quarterly filing of market-based sales transactions had not been properly made. The Court required the FERC, upon remand, to reconsider whether refunds should be ordered. On October 25, 2004, certain parties filed a petition for rehearing with the Court. On July 31, 2006, the Court summarily denied rehearing, and on December 28, 2006, PGE joined with other parties in filing a petition for certiorari of this decision with the U.S. Supreme Court. On February 5, 2007, the California Attorney General filed in opposition to the petition for certiorari, or, in the alternative if the petition is granted, a cross-petition for certiorari challenging the legality of market-based rate tariffs.

In the refund case and in related dockets, including the above challenge to market based rates, the California Attorney General and other California parties have argued that refunds should be ordered retroactively to at least May 1, 2000. Management cannot predict the outcome of these proceedings or whether the FERC will order refunds retroactively to May 1, 2000, and if so, how such refunds would be calculated.

### **Anomalous Bidding Allegations**

By order issued on June 25, 2003, the FERC instituted an investigation into allegations of anomalous bidding activities and practices ("economic withholding") on the part of numerous parties, including PGE. The FERC determined that bids above \$250 per MW in the period from May 1, 2000 through October 2, 2000 may have violated tariff provisions of the ISO and the PX. The FERC required companies that bid in excess of \$250 per MW to provide information on their bids to the FERC investigation staff. PGE responded to the FERC's inquiries and, on May 12, 2004, the FERC investigation staff issued to PGE a letter terminating the investigation as to the Company without further action. On March 10, 2005, certain California parties filed appeals with the Ninth Circuit, contesting the FERC's conduct of the investigation of the anomalous bidding allegations and the issuance of the dismissal letters.

### **Pacific Northwest**

In the July 25, 2001 order, the FERC also called for a preliminary evidentiary hearing to explore whether there may have been unjust and unreasonable charges for spot market sales of electricity in the Pacific Northwest from December 25, 2000 through June 20, 2001. During that period, PGE both sold and purchased electricity in the Pacific Northwest. In September 2001, upon completion of hearings, the appointed administrative law judge issued a recommended order that the claims for refunds be dismissed. In December 2002, the FERC re-opened the case to allow parties to conduct further discovery. In June 2003, the FERC issued an order terminating the proceeding and denying the claims for refunds. In July 2003, numerous parties filed requests for rehearing of the June 2003 FERC order. In November 2003 and February 2004, the FERC issued orders that denied all pending requests for rehearing. Parties have appealed various aspects of these FERC orders. Briefing has been completed and oral argument was held on January 8, 2007. A decision in the case is pending.

Management cannot predict the ultimate outcome of the above matters related to wholesale transactions in California and the Pacific Northwest. However, it believes that the outcome will not have a material adverse impact on the financial condition of the Company, but may have a material impact on the results of operations and cash flows for future reporting periods.

**Exhibit "E"**

Portland General Electric Company and Subsidiaries  
Consolidated Balance Sheet  
31-Dec-06  
(Millions of Dollars)

	<u>December 31, 2006</u>	Adjustments (1)	Adjusted Total
<b>Assets</b>			
<b>Electric Utility Plant - Original Cost</b>			
Utility plant (includes construction work in progress of \$412)	4,582		4,582
Accumulated depreciation	<u>(1,864)</u>		<u>(1,864)</u>
	<u>2,718</u>	<u>-</u>	<u>2,718</u>
<b>Other Property and Investments</b>			
Nuclear decommissioning trust, at market value	42		42
Non-qualified benefit plan trust	70		70
Miscellaneous	<u>26</u>		<u>26</u>
	<u>138</u>	<u>-</u>	<u>138</u>
<b>Current Assets</b>			
Cash and cash equivalents	12		12
Accounts and notes receivable (less allowance for uncollectible accounts of \$45 and \$50)	177		177
Unbilled revenues	88		88
Assets from price risk management activities	93		93
Inventories, at average cost	64		64
Margin deposits	46		46
Prepayments and other	25		25
Deferred income taxes	<u>22</u>		<u>22</u>
	<u>527</u>	<u>-</u>	<u>527</u>
<b>Deferred Charges</b>			
Regulatory assets	351		351
Miscellaneous	<u>33</u>		<u>33</u>
	<u>384</u>		<u>384</u>
	<u>3,767</u>	<u>-</u>	<u>3,767</u>
<b>Capitalization and Liabilities</b>			
Capitalization			
Common stock, \$3.75 par value per share, 80,000,000 shares authorized; 62,504,767 and 62,500,000 shares outstanding at December 31, 2006 and 2005	643		643
Other paid-in capital - net			
Retained earnings	587		587
Accumulated other comprehensive income (loss):			
Pension and other postretirement plans	(6)		(6)
Long-term obligations	<u>937</u>		<u>937</u>
	<u>2,161</u>	<u>-</u>	<u>2,161</u>
<b>Commitments and Contingencies (see Notes)</b>			
<b>Current Liabilities</b>			
Long-term debt due within one year	66		66
Short-term borrowings	81		81
Accounts payable and other accruals	212		212
Liabilities from price risk management activities	155		155
Customer deposits	5		5
Accrued interest	15		15
Accrued taxes	14		14
Dividends payable	14		14
Deferred income taxes	<u>-</u>		<u>-</u>
	<u>562</u>	<u>-</u>	<u>562</u>
<b>Other</b>			
Deferred income taxes	251		251
Deferred investment tax credits	7		7
Trojan asset retirement obligation	108		108
Accumulated asset retirement obligation	26		26
Regulatory liabilities:			
Accumulated asset retirement removal costs	411		411
Other	112		112
Non-qualified benefit plan liabilities	84		84
Miscellaneous	<u>45</u>		<u>45</u>
	<u>1,044</u>		<u>1,044</u>
	<u>3,767</u>	<u>-</u>	<u>3,767</u>

(1) No preliminary adjusting entries to the consolidated balance sheet.

## Exhibit "G"

Portland General Electric Company and Subsidiaries  
Consolidated Statement of Income  
For the Twelve Months Ended December 31, 2006  
(Millions of Dollars)

	December 31, 2006	Adjustments (1) (In Millions)	Adjusted Total
<b>Operating Revenues</b>	\$1,520		\$1,520
<b>Operating Expenses</b>			
Purchased power and fuel	763		763
Production and distribution	140		140
Administrative and other	164		164
Depreciation and amortization	219		219
Taxes other than income taxes	75		75
Income taxes	38		38
	1399		1399
<b>Net Operating Income</b>	\$121		\$121
<b>Other Income (Deductions)</b>			
Allowance for equity funds used during construction	16		16
Miscellaneous	1		1
Income taxes	2		2
	\$19		\$19
<b>Interest Charges</b>			
Interest on long-term debt and other	\$69		\$69
<b>Net income (Loss)</b>	\$71		\$71
<b>Common Stock</b>			
Weighted-average shares outstanding (thousands), Basic	62,501		62,501
Weighted-average shares outstanding (thousands), Diluted	62,505		62,505
Earnings per share, Basic and Diluted	\$1.14		\$1.14
Dividends declared per share	\$0.675		\$0.675

(1) No preliminary adjusting entries to the income statement.

## Exhibit "H"

Portland General Electric Company and Subsidiaries  
Consolidated Statement of Retained Earnings  
For the Twelve Months Ended December 31, 2006  
(Millions of Dollars)

	<u>December 31, 2006</u>	Adjustments (1) (In Millions)	<u>Adjusted Total</u>
<b>Balance at Beginning of Period</b>	\$558		\$558
<b>Net Income (Loss)</b>	<u>71</u>	<u>                    </u>	<u>71</u>
	629		629
<b>Dividends Declared</b>			
Common Stock	<u>42</u>	<u>                    </u>	<u>42</u>
<b>Balance at End of Period</b>	<u><u>\$587</u></u>	<u><u>                    </u></u>	<u><u>\$587</u></u>

(1) No preliminary adjusting entries to the statement of retained earnings.

# Attachment 1

- Corrected pages and Exhibits for the Finance Application for Employee Stock Purchase Plan

# Attachment 2

- Red-line strikeout comparison of the initial and revised versions of the pages and Exhibits for the Finance Application for Employee Stock Purchase Plan