



Portland General Electric Company
121 SW Salmon Street • Portland, Oregon 97204
PortlandGeneral.com

July 17, 2007

Email / US Mail

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

Re: UF___ PGE Finance Application

Enclosed please find one original and two copies of Portland General Electric Company's application requesting authority to issue up to \$75 million of its First Mortgage Bonds.

We ask that this Application be placed on the docket for consideration at the Commission's August 7, 2007 meeting, or as soon thereafter as possible.

If you should have questions regarding this matter, please contact me at 503-464-7580 or Jim Warberg at 503-464-7085.

Please direct all formal correspondence and requests to the following email address:
pge.opuc.filings@pgn.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick G. Hager".

Patrick G. Hager
Manager, Regulatory Affairs

cc: Bryan Conway - OPUC
Jim Warberg
Kirk Stevens
Doug Tingey

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

In the Matter of the Application of PORTLAND)
GENERAL ELECTRIC COMPANY for authority) APPLICATION
to issue and sell not more than \$75 million of)
First Mortgage Bonds) UF-
)

Portland General Electric Company (the “Company” or the “Applicant”) is submitting this financing application requesting authority to issue up to \$75 million of its First Mortgage Bonds described herein (“Bonds”). The Company believes the transaction set forth in this application will produce the lowest cost of funds for a similar maturity currently available to the Company for borrowing. The Company will issue Bonds under the Company’s existing Indenture of Mortgage and Deed of Trust (“First Mortgage Indenture”).

(1) In accordance with ORS 757.410(1), ORS 757.415(1) and OAR 860-27-030 of the Oregon Administrative Rules of the Public Utility Commission (“Commission”), the Company 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 virtue of the laws of the State of Oregon, and the date of its incorporation is July 25, 1930. The Applicant is authorized to transact business in the states of Oregon, California, Idaho, Montana, Utah, and Washington and in Alberta, Canada, but conducts utility business only in the State of Oregon.

(c) The name and address of the persons authorized on behalf of the Applicant to receive notices and communications in respect of this Application are:

Randy Dahlgren
Rates & Regulatory Affairs
Portland General Electric Company
121 SW Salmon Street, 1WTC-0702
Portland, OR 97204
(503) 464-7857 (telephone)
(503) 464-7651 (fax)
pge.opuc.filings@pgn.com

Doug Tingey
Assistant General Counsel
Portland General Electric Company
121 SW Salmon Street, 1WTC-1301
Portland, OR 97204
(503) 464-8926 (telephone)
(503) 464-2200 (fax)
doug.tingey@pgn.com

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

Kristin A. Stathis, Assistant Treasurer
E-Mail: Kristin.Stathis@pgn.com, and

Patrick G. Hager, Manager, Regulatory Affairs
E-Mail: Patrick.Hager@pgn.com

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

Peggy Y. Fowler	Chief Executive Officer & President
James J. Piro	Executive Vice President, Finance, CFO & Treasurer
Stephen R. Hawke	Senior Vice President
Arleen N. Barnett	Vice President
Carol A. Dillin	Vice President
Campbell A. Henderson	Vice President & Chief Information Officer
Pamela G. Lesh	Vice President
James F. Lobdell	Vice President
Joe A. McArthur	Vice President
Douglas R. Nichols	Vice President & General Counsel
William O. Nicholson	Vice President
Stephen M. Quennoz	Vice President, Nuclear & Power Supply/Generation
Kirk M. Stevens	Controller and Assistant Treasurer
Marc S. Bocci	Corporate Secretary
Kristin A. Stathis	Assistant Treasurer
Nora E. Arkonovich	Assistant Secretary
Cheryl A. Chevis	Assistant Secretary
Karen J. Lewis	Assistant Secretary

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

(f) The capital stock as of March 31, 2007 is as follows:

	Shares	Outstanding Amount (\$000s)
Cumulative Preferred Stock:		
None authorized	0	\$0
Common Stock:		
No Par Value (80,000,000 shares authorized):	<u>62,507,396</u>	<u>\$643,342</u>

(g) The long-term debt as of March 31, 2007 is as follows:

Description	Authorized (\$000s)	Outstanding (\$000s)
First Mortgage Bonds:		
MTN Series due June 15, 2007 7.15%	50,000	50,000
5.6675% Series due October 25, 2012	100,000	100,000
5.279% Series due April 1, 2013	50,000	50,000
6.26% Series due May 1, 2031	100,000	100,000
6.31% Series due May 1, 2036	175,000	175,000
5.625% Series due August 1, 2013	50,000	50,000
MTN Series due August 11, 2021 9.31%	20,000	20,000
6.75% Series due August 1, 2023	50,000	50,000
6.875% Series due August 1, 2033	<u>50,000</u>	<u>50,000</u>
Total First Mortgage Bonds	<u>645,000</u>	<u>645,000</u>
Pollution Control Bonds:		
City of Forsythe, Montana		
5.45% Series due May 1, 2033	21,000	21,000
5.20% Series due May 1, 2033	97,800	97,800
Port of Morrow		
5.20 % Series May 1, 2033	23,600	23,600
Variable % due December 1, 2031	5,800	5,800
Port of St. Helens, Oregon		
4.80% Series due April 1, 2010	20,200	20,200
4.80% Series due June 1, 2010	16,700	16,700
5.25% Series due August 1, 2014	9,600	9,600
7.125% Series due December 15, 2014	5,100	5,100
Total Pollution Control Bonds	<u>199,800</u>	<u>199,800</u>
Other Long-Term Debt:		
7-7/8% Notes due March 15, 2010	150,000	149,250
Capital Leases	0	0
Long-term Contracts	68	68
Unamortized Debt Discount and Other	<u>(1,479)</u>	<u>(1,479)</u>
Total Other Long-Term Debt	<u>148,589</u>	<u>147,839</u>
Less Maturities and Sinking Funds Included in Current Liabilities	<u>50,000</u>	<u>50,000</u>
Total Long-Term Debt	<u>943,389</u>	<u>942,639</u>

None of the long-term debt is pledged or held as reacquired securities, by affiliated corporations, or in any fund, except as may be noted above.

(h) The Applicant proposes to enter into the following transactions:

1) Type and nature of securities

The Bonds would be issued in one or more transactions as conditions permit. The Bonds would have a maturity of up to 35 years and would be issued under the Company's First Mortgage Indenture. The Bonds may have a sinking fund provision and may have a feature that allows for early redemption. The Bonds may be wrapped by an insurance policy purchased by the Company that would lower the all-in cost of the Bonds.

(2) Amount of securities

The Company expects to issue Bonds in amounts of not more than \$75,000,000 aggregate principal amount or, if the Bonds are issued at an original issue discount of up to one percent, such greater amount as will result in an aggregate offering price of not more than \$75,000,000.

(3) Interest rate

The interest rate on the Bonds would be fixed and would be payable semi-annually in arrears. The proposed maximum spread over the respective Treasury security is set forth later in this application.

(4) Date of issuance and maturity

The Company expects to issue the Bonds in one or more series from time to time in amounts not to exceed \$75,000,000 in the aggregate. The Bonds may be issued as public offerings or on a private placement basis. The maturities of the various series are expected to be up to 35 years. The Bonds may be priced with a delayed settlement feature which allows the Company to execute a binding purchase and sale agreement establishing the interest rate and other terms of the sale, but postpone the actual sale of the Bonds and receipt of funds to a date of the Company's choice up to one year later. The delayed settlement feature would allow the Company to lock-in interest rates but defer the sale of the Bonds to correspond with the Applicant's cash needs.

(5) Institutional rating or, if not rated, an explanation

PGE's outstanding First Mortgage Bonds are currently rated:

Moody's	Baa1
Standard & Poor's	BBB+

The Company may apply for a rating on the Bonds issued if it is required by the market.

A brief description of the First Mortgage Bonds is as follows:

The Bonds would be issued under the Company's First Mortgage Indenture. The Bonds will be secured equally with all other First Mortgage Bonds of the Company as part of a lien against substantially all of the Company's utility property. The Bonds will be equal in right of payment to all other First Mortgage Bonds. The Trustee under the First Mortgage Indenture is HSBC Bank USA. The Bonds may be issued in one or more separate series pursuant to supplements to the First Mortgage Indenture or as a single series. The Bonds or any series thereof, if there is more than one series, will most likely be without coupons. The Bonds may or may not be registered and could be in any amount in excess of \$25 per bond. First Mortgage Bonds currently represent the least expensive long-term debt financing available to the Company.

Fixed Rate Bonds

The interest rate on the Bonds will be determined at the time of issuance unless the Bonds have the delayed settlement feature (discussed above), in which case the interest rate will be determined on the date the Company and Bond purchasers enter into a binding agreement for the purchase and sale of the Bonds. The maximum spread over the applicable Treasury securities for various maturities is listed below for the Bonds. The Bonds may have a feature which allows them to be redeemed prior to maturity at specified prices.

Greater Than or Equal To	Equal to or Less Than	Maximum Spread Over Benchmark Treasury Yield
3 years	9 years	+ 120 basis points
10 years	14 years	+ 130 basis points
15 years	19 years	+ 140 basis points
20 years	24 years	+ 150 basis points
25 years	35 years	+ 160 basis points

(i) (A) See paragraph (h) above

(B) The Bonds will not be issued pro rata to existing holders of the Applicant's securities and will not be issued pursuant to any preemptive right or in connection with any liquidation or reorganization.

(C) The proposed method of issuance and sale and the reasons that the Applicant has proposed the types of debt are described above in Paragraph (h).

(D) In the opinion of Applicant's legal counsel, the Applicant is not subject to the competitive bidding requirements of federal or state regulatory bodies in connection with the issuance of the Bonds.

(j) If Bonds are issued, the Company may name as possible managing underwriters/agents Deutsche Bank, Lehman Brothers, JP Morgan, Wells Fargo or others. The Bonds may be sold on a negotiated or competitive bid basis. The Bonds may be sold directly to a limited number of purchasers or to a single purchaser. The underwriters/agents will receive as compensation (assuming a public offering) the difference between the price at which they purchase the Bonds from the Applicant and the price at which the Bonds are sold by the underwriters/agents to the public. If the Bonds are sold on a private basis, the underwriters/agents will receive the usual and customary amount prevailing for such sales and will not exceed .875 percent of the aggregate principal amount of the Bonds, the final amount to be negotiated by the Company.

(k) Total amount of the Bonds to the ultimate purchaser(s) and expenses and net proceeds to the Applicant resulting from the sale are estimated to be as follows:

Item	Debt	
	Amount	Per \$100
1. Face value or principal amount	\$75,000,000	\$100.00
2. Plus premium or less discount		
3. Gross proceeds	\$75,000,000	\$100.00
4. Underwriters' spread or commission (.875%)	656,250*	

5. Securities and Exchange Commission registration fee	-	
6. Printing and engraving expenses	10,000	
7. Trustee's charges	10,000	
8. Fees and expenses of independent public accountants	15,000	
9. Rating agency fees	60,000	
10. Insurance fees	916,000*	
11. Legal fees	50,000	
12. Total deductions	<u>\$1,717,250*</u>	<u>2.29</u>
13. Estimated net amount to be realized	<u>\$73,282,750</u>	<u>\$97.71</u>

* In the case of directly issued insured Bonds, the insurance fees would apply but the underwriters' commission would not. Conversely, in the case of marketed uninsured Bonds the underwriters' commission would apply but the insurance fees would not.

(l) The above-described issuance expenses will be paid out of the general funds of the Applicant. The Applicant will defer the issuance expenses and amortize them equitably over the life of the Bonds.

The purposes for which securities are proposed to be issued in this matter are the acquisition of utility property, the construction, extension or improvement of utility facilities, the improvement or maintenance of service, the discharge or lawful refunding of obligations which were incurred for utility purposes permitted under ORS 757.415 (l)(a), (l)(b), (l)(c), (l)(d), or (l)(e) or the reimbursement of the Company treasury for funds used for the foregoing purposes, except the maintenance of service and replacements. To the extent proceeds are used to discharge or lawfully refund obligations, they or their precedents were originally incurred for purposes described in ORS 757.415 (l)(a), (l)(b) or (l)(e). To the extent proceeds are used to reimburse the treasury for funds used to discharge or lawfully refund obligations, such obligations were incurred for purposes described in ORS 757.415 (l)(a), (l)(b) or (l)(e), or for the purposes described in ORS 757.415 (l)(a), (l)(b) or (l)(e) directly. The Applicant requests that it not be required to file a supplemental application provided the terms of the Bonds are within the parameters set forth in this Application.

(m) No other application is required to be filed with any federal or other state regulatory body.

(n) As a public utility, Applicant is obligated to secure sufficient generating, transmission, and distribution capacity to serve its customers reliably at the lowest reasonable cost. Applicant believes the loans made in the manner proposed, will minimize the overall capital costs associated with such public utility obligations for the reasons stated above. Therefore, the transaction proposed is for a lawful object within the corporate purposes of the Applicant; is compatible with the public interest; is necessary and appropriate for and consistent with the proper performance by the Applicant of service as a public utility; will not impair its ability to perform such service; is reasonably appropriate for such purposes; and in accordance with ORS 757.495, is fair and reasonable and not contrary to public interest.

This Application is not filed under ORS 757.495.

(o) The requirements of OAR 860-027-030 (o) are not applicable.

(p) The requirements of OAR 860-027-030 (p) are not applicable.

(2) Exhibits

The following exhibits are made a part of this application:

Exhibit A	Articles of Incorporation, as amended (Previously filed in Docket UP 234, and by reference made a part of this application.).
Exhibit B	Fourth Amended and Restated Bylaws previously filed in Docket UP 237 and by reference made a part of this application.
Exhibit C	To be filed when available.
Exhibit D	To be filed when available.
Exhibit E	Balance sheets as of March 31, 2007 and pro forma.
Exhibit F	Attached.
Exhibit G	Income statement for the 3-month period ended March 31, 2007 and pro forma.
Exhibit H	Analysis of retained earnings for the 3-month period ended March 31, 2007 and pro forma.
Exhibit I	Not Applicable.
Exhibit J	Not Applicable.
Exhibit K	To be filed when available.

WHEREFORE, the Applicant respectfully requests an Order authorizing PGE to issue and sell not more than \$75 million of First Mortgage Bonds.

PORTLAND GENERAL ELECTRIC COMPANY

By _____
/s/Patrick G. Hager, Manager, Regulatory Affairs
On Behalf of Portland General Electric Company
121 SW Salmon Street, 1WTC-0702
Portland, Oregon 97204
Phone: (503) 464-8322
E-Mail: patrick.hager@pgn.com

Dated _____

Exhibit "E"

Portland General Electric Company and Subsidiaries
Condensed Consolidated Balance Sheet
(Unaudited)
March 31, 2007
(In Millions)

	March 31, 2007	Adjustments (1)	Adjusted Total
Assets			
Electric Utility Plant - Original Cost			
Utility plant (includes construction work in progress of \$421)	\$ 4,650		\$ 4,650
Accumulated depreciation	(1,887)		(1,887)
	<u>2,763</u>	<u>-</u>	<u>2,763</u>
Other Property and Investments			
Nuclear decommissioning trust, at market value	43		43
Non-qualified benefit plan trust	70		70
Miscellaneous	27		27
	<u>140</u>	<u>-</u>	<u>140</u>
Current Assets			
Cash and cash equivalents	5	\$ 73 (a)	78
Accounts and notes receivable (less allowance for uncollectible accounts of \$39)	206		206
Unbilled revenues	60		60
Assets from price risk management activities	92		92
Inventories, at average cost	62		62
Margin deposits	8		8
Prepayments and other	41		41
Deferred income taxes	7		7
	<u>481</u>	<u>73</u>	<u>554</u>
Deferred Charges			
Regulatory assets	342		342
Miscellaneous	33	2 (a)	35
	<u>375</u>	<u>2</u>	<u>377</u>
	<u>\$ 3,759</u>	<u>\$ 75</u>	<u>\$ 3,834</u>
Capitalization and Liabilities			
Capitalization			
Common stock, no par value per share, 80,000,000 shares authorized; 62,507,396 shares outstanding	\$ 643		\$ 643
Retained earnings	628	\$ (1)	627
Accumulated other comprehensive income (loss):			
Minimum pension liability adjustment	(6)		(6)
Long-term debt	943	75 (a)	1,018
	<u>2,208</u>	<u>74</u>	<u>2,282</u>
Commitments and Contingencies			
Current Liabilities			
Long-term debt due within one year	66		66
Short-term borrowings	29		29
Accounts payable and other accruals	208		208
Liabilities from price risk management activities	116		116
Customer deposits	5		5
Accrued interest	19	1 (b)	20
Accrued taxes	40		40
Dividends payable	14		14
	<u>497</u>	<u>1</u>	<u>498</u>
Other			
Deferred income taxes	247		247
Deferred investment tax credits	6		6
Trojan asset retirement obligation	111		111
Accumulated asset retirement obligation	26		26
Regulatory liabilities:			
Accumulated asset retirement removal costs	423		423
Other	107		107
Non-qualified benefit plan liabilities	86		86
Miscellaneous	48		48
	<u>1,054</u>	<u>-</u>	<u>1,054</u>
	<u>\$ 3,759</u>	<u>\$ 75</u>	<u>\$ 3,834</u>

(1) Reflects Pro Forma journal entries

Footnotes at Exhibit "E_G_H Pro Forma"

Exhibit "G"

Portland General Electric Company and Subsidiaries
Consolidated Statement of Income
(Unaudited)
For the Three Months Ended March 31, 2007
(In Millions)

	<u>March 31, 2007</u>	<u>Adjustments (1)</u>	<u>Adjusted Total</u>
Operating Revenues	\$ 436		\$ 436
Operating Expenses			
Purchased power and fuel	203		203
Production and distribution	32		32
Administrative and other	45		45
Depreciation and amortization	45		45
Taxes other than income taxes	21		21
Income taxes	26		26
	<u>372</u>		<u>372</u>
Net Operating Income	<u>64</u>		<u>64</u>
Other Income (Deductions)			
AFDC - Equity	5		5
Miscellaneous	4		4
Income taxes	(1)		(1)
	<u>8</u>		<u>8</u>
Interest Charges			
Interest on long-term debt and other	<u>17</u>	<u>1 (b)</u>	<u>18</u>
Net Income	<u>\$ 55</u>	<u>\$ (1)</u>	<u>\$ 54</u>

(1) Reflects Pro Forma journal entries

Footnotes at Exhibit "E_G_H Pro Forma"

Exhibit "H"

Portland General Electric Company and Subsidiaries
Consolidated Statement of Retained Earnings
(Unaudited)
For the Three Months Ended March 31, 2007
(In Millions)

	<u>March 31, 2007</u>	<u>Adjustments (1)</u>	<u>Adjusted Total</u>
Balance at Beginning of Period	\$ 587	\$ -	\$ 587
Net Income	<u>55</u>	<u>\$ (1)</u>	<u>54</u>
	642	(1)	641
Dividends Declared - Common Stock	<u>14</u>	<u></u>	<u>14</u>
Balance at End of Period	<u>\$ 628</u>	<u>\$ (1)</u>	<u>\$ 627</u>

(1) Reflects Pro Forma journal entries.

Footnotes at Exhibit "E_G_H Pro Forma"

PORTLAND GENERAL ELECTRIC COMPANY
PRO FORMA JOURNAL ENTRIES

The following journal entries record the issuance of long-term debt and related interest expense.

Account	Description	Debit	Credit
	(a)		
131	Cash	\$ 73,282,750	
181	Unamortized debt expense	1,717,250	
224	Other long-term debt		\$ 75,000,000
	To record the issuance of long-term debt and related issuance expense (to be amortized over the life of the debt).		
	(b)		
427	Interest on long-term debt (quarterly)	\$1,224,375	
237	Interest accrued (quarterly)		\$1,224,375
	To record quarterly interest expense at 6.53% (assumed rate + issuance exp)		
	(c)		
236	Taxes accrued (quarterly)	\$484,730	
409.1	Income taxes, utility operating income (quarterly)		\$484,730
	To record the quarterly tax effect of interest expense on long-term debt.		

Exhibit “F”
Statement of Contingent Liabilities
As of March 31, 2007

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 Oregon 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. The 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.

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. 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.

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.

In Order No. 07-157 (the Order) entered on April 19, 2007, the OPUC denied the motion PGE filed in November 2006 to consolidate phases and re-open the record. In addition, the Order abated the Phase I proceeding pending a decision by the Oregon Court of Appeals of the 2003 Remand, and ordered that a second phase of the joint remand

proceedings be immediately commenced to investigate the OPUC's delegated authority to engage in retroactive ratemaking. The Order further stated that parties not now participating in the joint remand proceedings will be allowed to intervene and participate in the second phase.

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 and 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 Environmental Protection Agency (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 from the EPA a "Notice of Potential Liability" regarding the Harborton Substation facility. The notice listed sixty-eight other companies that the EPA believes may be 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 Oregon Department of Environmental Quality (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 condition, results of operations or cash flows.

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 polychlorinated biphenyls (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 condition, results of operations or cash flows.

Receivables and Refunds on Wholesale Market Transactions - On March 12, 2007, PGE reached a settlement that resolves all issues between the Company and certain California parties relating to wholesale energy transactions in the western markets during the January 1, 2000 through June 20, 2001 time period. The settlement resolves a number of proceedings and investigations before the Federal Energy Regulatory Commission (FERC) and the U.S. Ninth Circuit Court of Appeals relating to various issues and claims in the California refund case (Docket No. EL00-95), the issue of refunds for the summer 2000 period, investigations of anomalous bidding activities and market practices (Docket Nos. IN03-10-000 and EL03-165-000), claims for refunds related to sales in the Pacific Northwest (Docket No. EL01-10), and the complaint by the California Attorney General for refunds from market-based rates retroactively to May 1, 2000. In addition to PGE, parties to the settlement (collectively referred to as the California Parties) include the California Attorney General, the California Department of Water Resources, the California Electricity Oversight Board, the California Public Utilities Commission, Southern California Edison Company, Pacific Gas & Electric Company, and San Diego Gas & Electric Company. Other affected market participants will be given the opportunity to join the settlement, but releases as to those parties do not cover transactions outside of the California organized markets, including potential claims in the Pacific Northwest. The rights of parties electing not to join the settlement are unaffected and they will neither receive the benefits of the settlement nor be subject to its obligations. PGE believes that any amount that it may owe to non-settling parties related to transactions in the California organized market would not be material. The settlement has been filed with the FERC for its approval.

PGE currently estimates that if the FERC approves the settlement it will receive a net cash payment from the California Power Exchange (PX) of approximately \$27 million, which includes net interest on its past due receivables. PGE had previously established a reserve of \$40 million related to these matters based upon its estimation of the potential liability. Based upon the terms of the settlement, PGE adjusted the reserve to approximately \$34 million at March 31, 2007 and recorded a pre-tax increase to income of approximately \$6 million in the first quarter of 2007 (reflected as a reduction to Purchased Power and Fuel expense).

Under terms of the settlement, all but \$1.78 million of PGE's \$62.7 million receivable balance, plus associated interest as of December 31, 2006 of \$25.3 million, will be released either to an escrow account for payment to refund recipients or in cash to PGE. Under the settlement, PGE has agreed to refund to the market \$65.4 million, which is comprised of a principal settlement amount of \$48.4 million plus estimated interest of \$17.0 million as of December 31, 2006. However, only \$42.3 million of the principal settlement amount will be paid out in the settlement because PGE is receiving a \$6.1 million credit for a payment in that amount that it made to certain of the California Parties in another proceeding. Thus, if the settlement is approved by the FERC, PGE will assign \$59.3 million of the balance in its receivables account (plus additional interest accrued to the projected date of distribution) to an escrow account for distribution to the California Parties and other settling participants. PGE's interest stated above will also be adjusted forward to the projected date of distribution under the settlement. The settlement also provides that the PX will continue to hold a reserve of approximately \$1.78 million that can be used to fulfill miscellaneous continuing obligations under the FERC refund proceedings. Any amount not so used would ultimately be returned to PGE.

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 Federal Power Act (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 parties have argued that refunds should be ordered retroactively to at least May 1, 2000. The March 12, 2007 settlement in the California refund case described above resolves all claims as to market-based rates in western energy markets as between PGE and the named California Parties during the settlement period, January 1, 2000 through June 21, 2001; however, it does not settle such claims from market participants who do not opt-in to the settlement, nor does it settle such potential claims arising from transactions with other market participants outside of the California Independent System Operator ("CAISO") and PX markets. 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.

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.

The March 12, 2007 settlement in the California refund case described above resolves all claims as between PGE and the named California Parties as to transactions in the Pacific Northwest during the settlement period, January 1, 2000 through June 21, 2001; however, it does not settle such potential claims from other market participants.

Management cannot predict the ultimate outcome of the above matter related to wholesale transactions in 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.

ASSUMPTIONS

LOAN

Maximum amount of LOAN	\$	75,000,000
Interest Rate		6.450%
Issuance costs		0.08%
Estimated years to be outstanding		30
Income tax rates:		
Federal		32.390%
State & Local		7.200%
Effective statutory rate		<u>39.590%</u>
Interest Expense (Including Amtz of Issuance Expenses)	\$	4,897,500
Tax effect on the interest expense	\$	1,938,920
Issuance Expense		
Initial Commitment amount		
One-time syndication agent fee		
Annual agent fee		
Total Issuance Expense	\$	<u>1,717,250</u>

No issuance expense for letters of credit, assumes only debt