



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

April 09, 2014

**E-File/US Mail**

Commission Filing Center  
Public Utility Commission of Oregon  
3930 Industrial DR SE  
PO Box 1088  
Salem, OR 97308-1166

Re: PGE Finance Application (UF XXX)

PGE is requesting the Commission to assign a new docket and issue an order allowing PGE to issue new First Mortgage Bonds and Debt Securities in the amount of \$700 million. PGE contemplates that the maximum fees and expenses will be approximately .98% of the \$700 million principal amount or \$6,860,000. PGE understands that any fees paid will be the customary and usual amount and type existing in the market for similar transactions.

On January 7, 2014, the Public Utility Commission of Oregon (OPUC or Commission) authorized Portland General Electric Company (PGE) to issue up to \$400 million of its First Mortgage Bonds and Debt Securities pursuant to the Order 14-004. To date, PGE has not issued any securities pursuant to this order. PGE requests that the new order also terminate any remaining authorization for notes under Order 14-004.

PGE expects to spend approximately \$1 billion in capital expenditures in 2014 and will require \$600-\$700 million in external financing. The proposed authorization will provide PGE with the flexibility to fund its external capital requirements through the issuance of first mortgage bonds or unsecured long-term debt and will allow PGE to preserve its existing liquidity. PGE understands that it will be subject to prudence review of any financings undertaken pursuant to this amended application and subsequent order.

We ask that this Application be placed for consideration at the Commission's April 29, 2014 Public Meeting, or as soon thereafter as possible. Staff has agreed to try to review and process this application in time for that meeting.

If you have any questions regarding this matter, please call Jim Warberg at 503-464-7085.

Sincerely,

  
Patrick Hager  
Manager, Regulatory Affairs

cc: Brett Greene, James Warberg, Cheryl Chevis, Doug Tingey, PGE

**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 \$700 million of First )  
Mortgage Bonds and/or Unsecured Notes ) UF-

Pursuant to ORS 757.410(1), and OAR 860-027-0030, Portland General Electric Company (the “PGE” or the “Applicant”) is submitting this financing application requesting authority to issue up to \$700 million in new First Mortgage Bonds described herein (“Bonds”) and/or unsecured notes or bonds described herein (“Notes”) (The Bonds and Notes hereinafter referred to as the “Securities”). PGE understands and agrees that if this request is granted, any remaining authorization to issue new Bonds or Notes under a previous order will no longer be valid. The Applicant believes the transactions contemplated in this application will produce the lowest cost of funds for a similar maturity currently available to PGE.

**I. Required Information Under OAR 860-027-0030:**

Pursuant to the requirements of OAR 860-027-0030, PGE represents as follows:

(a) *The applicant’s exact name and address of its principal business office:* The name and address of the Applicant is Portland General Electric Company, 121 SW Salmon Street, Portland, Oregon 97204.

(b) *The state in which incorporated, the date of incorporation, and the other states in which authorized to transact utility business:* 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, 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 persons authorized, on behalf of applicant to receive notices and communications in respect to this application:* The name and address of the persons authorized on behalf of the Applicant to receive notices and communications in respect of this Application are:

PGE-OPUC Filings	Doug Tingey
Rates & Regulatory Affairs	Assistant General Counsel
Portland General Electric Company	Portland General Electric Company
121 SW Salmon Street, 1WTC-0702	121 SW Salmon Street, 1WTC-1301
Portland, OR 97204	Portland, OR 97204
(503) 464-7857 (telephone)	(503) 464-8926 (telephone)
(503) 464-7651 (fax)	(503) 464-2200 (fax)
pge.opuc.filings@pgn.com	doug.tingey@pgn.com

In addition, the names and addresses of persons authorized to receive notices and communications via the e-mail service list are: Brett Greene, Assistant Treasurer

E-Mail: brett.greene@pgn.com

(d) As of December 31, 2013, the following are the principal officers of PGE with primary business offices located at 121 SW Salmon Street, Portland, Oregon 97204:

James J. Piro	President and Chief Executive Officer
James F. Lobdell	Senior Vice President Finance, CFO & Treasurer
William O. Nicholson	Senior Vice President
Maria M. Pope	Senior Vice President
Arleen N. Barnett	Vice President
Carol A. Dillin	Vice President
Campbell A. Henderson	Vice President & Chief Information Officer
J. Jeffrey Dudley	Vice President, General Counsel, Corporate Compliance Officer and Assistant Secretary
O. Bruce Carpenter	Vice President
Stephen M. Quennoz	Vice President
W. David Robertson	Vice President
Kristin A. Stathis	Vice President

Kirk M. Stevens	Controller and Assistant Treasurer
Marc S. Bocci	Associate General Counsel and Corporate Secretary
Karen J. Lewis	Assistant Corporate Secretary
Brett C. Greene	Director of Finance and Assistant Treasurer

(e) *A description of the general character of the business done, and a designation of the territories served, by counties and states:* 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, Sherman, Washington, and Yamhill counties.

(f) *A statement, as of the date of the balance sheet submitted with the application, showing for each class and series of capital stock: brief description; the amount authorized (face value and number of shares); the amount outstanding (exclusive of any amount held in the treasury); amount held as reacquired securities; amount pledged; amount owned by affiliated interests; and amount held in any fund:* The following represents PGE's capital stock as of **December 31, 2013**, the date of PGE's last major SEC filing (10-Q):

	<u>Outstanding Shares</u>	<u>Amount (\$000s)</u>
Common Stock:		
No Par Value (160,000,000 shares authorized):	78,085,559	\$911,315

None of the outstanding shares of common stock referenced above are held as reacquired securities or were pledged by the Applicant. Vanguard Group, Inc. held 6.84% of the outstanding PGE common stock, Black Rock Fund Advisors held 5.7%, and MFS Investment Management, reported ownership of 6.0% as reported in a February 2014 SEC Form 13G filing.

(g) *A statement, as of the date of the balance sheet submitted with the application, showing for each class and series of long-term debt and notes: brief description (amount, interest rate and maturity); amount authorized; amount outstanding (exclusive of any amount held in the treasury); amount held as reacquired securities; amount pledged; amount held by affiliated interests; and amount in sinking and other funds: PGE's long-term debt as of December 31, 2013 is as follows:*

Description	Authorized (\$000s)	Outstanding (\$000s)
First Mortgage Bonds:		
3.46% series due 1-15-2015	70,000	70,000
6.80% series due 1-15-2016	67,000	67,000
3.81% series due 6-15-2017	58,000	58,000
5.80% series due 3-1-2018	75,000	75,000
6.10% series due 4-15-2019	300,000	300,000
9.31% series due 8-11-2021	20,000	20,000
6.75% series VI due 8-1-2023	50,000	50,000
6.26% series due 5-1-2031	100,000	100,000
6.875% series due 8-1-2033	50,000	50,000
6.31% series due 5-1-2036	175,000	175,000
5.81% series due 10-1-2037	130,000	130,000
5.80% series due 6-1-2039	170,000	170,000
5.43% series due 5-3-40	150,000	150,000
4.47% series due 8-14-2043	75,000	75,000
4.47% series due 6-15-2044	150,000	150,000
4.74% series due 11-15-2042	105,000	105,000
4.84% series due 12-15-2048	<u>50,000</u>	<u>50,000</u>
	1,795,000	1,795,000
Pollution Control Bonds:		
City of Forsyth, MT		
5.45% series B due 5-1-2033*	21,000	21,000
5% series due 5-1-2033	97,800	97,800
Port of Morrow, OR		
5.00% series due 5-1-2033,	23,600	23,600
Variable rate due 5-1-2031**	5,800	5,800

**\*This debt instrument, purchased by the Company on May 1, 2009, is**

Description	Authorized (\$000s)	Outstanding (\$000s)
<b>currently held for possible remarketing</b>	(21,000)	(21,000)
<b>** This debt instrument, purchase by the Company in 2008 is currently held for possible remarketing</b>	(5,800)	(5,800)
Total Pollution Control Bonds outstanding	<b><u>121,400</u></b>	<b><u>121,400</u></b>
Other Long Term Debt:		
Long-Term Contracts	96	96
Unamortized Debt Discount and Other	<u>(771)</u>	<u>(771)</u>
Total Other Long-Term Debt	<b><u>(675)</u></b>	<b><u>(675)</u></b>
<b>Total Long-Term Debt</b>	<b><u>1,915,725</u></b>	<b><u>1,915,725</u></b>

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

(h) *Full description of securities proposed to be issued showing: kind and nature of securities or liabilities; amount (face value and number of shares); interest or dividend rate, if any; date of issue and date of maturity; and voting privileges, if any:* PGE proposes to enter into the following transactions:

(1) *Type and nature of securities*

The Securities would be issued in one or more transactions as conditions permit. The Securities would have a maturity of up to 40 years and would either be issued, in the case of Bonds, under the Company's Indenture of Mortgage and Deed of Trust dated July 1, 1945, ("First Mortgage Indenture") or, in the case of Notes, as unsecured notes issued under an indenture, trust agreement or bank loan agreement to be negotiated with the purchasers or lenders. The Securities may be sold on a negotiated

basis. The Bonds may be sold directly to a limited number of purchasers or to a single purchaser. The Notes may be placed or issued under an arrangement with one or more banks. The Securities may have a sinking fund provision and may have a feature that allows for early redemption. The Securities 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 issuance of the Securities and receipt of funds to a date up to one year later. The delayed settlement feature would allow the Company to lock-in interest rates but defer the issuance of the Securities to correspond with the Applicant's cash needs.

A brief description of the Bonds is as follows:

The Bonds would be issued under PGE's First Mortgage Indenture. The Bonds will be secured equally with all other First Mortgage Bonds of PGE as part of a lien against substantially all of PGE's utility property. The Trustee under the First Mortgage Indenture is Wells Fargo Bank, National Association (as successor to HSBC Bank USA, National Association which was successor to Marine Midland Trust Company of New York). 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 of \$25 per bond or greater. First Mortgage Bonds currently represent the least expensive long-term taxable debt financing available to PGE.

A brief description of the Notes is as follows:

The Notes may be issued in one or more separate series or as a single series. The Notes or any series thereof, if there is more than one series, will most likely be without coupons. Each Note will have an initial term longer than 12-months. The Notes may or may not be registered and could be in any

amount in excess of \$25 per note. The Notes will not be secured by the Company's assets and hence will be subordinate to the Company's First Mortgage Bonds with respect to the First Mortgage lien. Apart from First Mortgage Bonds, unsecured Notes represent the least expensive long-term debt financing currently available to the Company.

Fixed Rate

For any fixed rate Bonds or Notes issued, the coupon or interest rate will be established at the time of issuance unless the Bonds or Notes have the delayed settlement feature (discussed above), in which case the fixed interest rate will be determined on the date PGE and Bond purchasers enter into a binding agreement for the purchase and sale of the Bonds or Notes. PGE requests that if the applicable spread should exceed the maximum levels listed below, it be granted authority to issue the Bonds or Notes so long as the interest rate or coupon does not exceed 6.0% per annum. The Bonds or Notes may have a feature which allows them to be redeemed prior to maturity at specified prices. The proposed maximum fixed rate spread over the applicable Treasury security for Bonds of various maturities is as follows:

<b>Greater Than or Equal To</b>	<b>Equal to or Less Than</b>	<b>Maximum Spread Over Benchmark Treasury Yield</b>
1 year	9 years	+ 130 basis points
10 years	14 years	+ 140 basis points
15 years	19 years	+ 150 basis points
20 years	30 years	+ 160 basis points
31 years	40 years	+ 170 basis points

The proposed maximum fixed rate spread over the applicable Treasury security for Notes of various maturities is as follows:



<b>Greater Than or Equal To</b>	<b>Equal to or Less Than</b>	<b>Maximum Spread Over Benchmark Treasury Yield</b>
1 year	9 years	+ 170 basis points
10 years	14 years	+ 180 basis points
15 years	19 years	+ 190 basis points
20 years	30 years	+ 200 basis points
31 years	40 years	+ 210 basis points

Floating Rate Notes

In addition to fixed rate Notes, the Company requests the authority to issue floating rate Notes. Floating rate notes could have a maturity of up to 40 years but the interest rate would be reset either monthly, quarterly or every 6 months as established at the time of the sale of the Notes. The interest rates would be reset based on a fixed spread over the 1-month, 3-month or 6-month LIBOR rate as set forth on Bloomberg. The maximum fixed spread would be no greater than 1.50%.

(2) Amount of securities

The Company expects to issue Securities in an aggregate principal amount of not more than \$700,000,000 or, if the Securities 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 \$700,000,000.

(3) Interest rate

The interest rate on the Bonds will be fixed and payable semi-annually in arrears. The interest rate on the Notes could be fixed or variable. Interest on fixed rate Notes would be semi-annually in arrears. Interest on floating rate Notes could be monthly, quarterly or semi-annually in arrears depending on maturity and market conditions. The proposed maximum spread over the respective Treasury security

for fixed rate Bonds or Notes is set forth in paragraph (h)(1) above. The maximum spread over LIBOR for any floating rate Notes is also set forth in paragraph (h)(1) in this application.

(4) *Date of issuance and maturity*

The Company expects to issue the Securities in one or more series from time to time in principal amounts not to exceed \$700,000,000 in the aggregate. The Securities may be issued as public offerings or be privately placed. The maturities of the various series are expected to be up to 40 years. The Notes will have an initial term longer than 12 months.

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

PGE's First Mortgage Bonds are currently rated:

Moody's	A1
Standard & Poor's	A-

PGE's Unsecured Long-Term Debt is currently rated:

Moody's	A3
Standard & Poor's	BBB

PGE may apply for a rating on the Securities issued if it is required by the market. Sometimes the Securities carry an implied rating based on the current company ratings for like securities.

(i) *A reasonably detailed and precise description of proposed transaction, including a statement of the reasons why it is desired to consummate the transaction and the anticipated effect thereof:*

(A) *Description of proposed method of issuance and selling the securities: The Securities may be issued through a public offering or be privately placed. See paragraph (h) above.*

(B) *Statement of whether securities are to be issued pro rata to existing holders of the applicant's securities or issued pursuant to any preemptive right or in connection with any liquidation or reorganization:* The Securities 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) *Statement showing why it is in applicant's interest to issue securities in the manner proposed and the reason(s) why it selected the proposed method of sale:* The proposed method of issuance and sale and the reasons that the Applicant has proposed the types of Securities are described above in Paragraph (h).

(D) *Statement that exemption from the competitive bidding requirements of any federal or other state regulatory body has or has not been requested or obtained, and a copy of the action taken thereon when available:* 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 Securities.

The proposed transactions are not part of a general program.

(j) *The name and address of any person receiving or entitled to a fee for service:* If Securities are issued, PGE may name as possible managing underwriters/agents, JP Morgan, Wachovia, Bank of America, Morgan Stanley, U.S Bank or others. PGE will likely hire outside legal counsel to represent and advise the Company in connection with any issuance and may name Perkins Coie, LLP, Tonkon Torp, LLP, Skadden Arps or other firms as counsel for the Company. Any underwriters will receive as compensation (assuming a public offering) the difference between the price at which they purchase the Securities from the Applicant and the price at which the Securities are sold by the underwriters to the public. The underwriters will receive the usual and customary amount prevailing in

arm's length transactions for such sales and such amount will not will not exceed 0.875 percent of the aggregate principal amount of the Securities. Assuming a private placement, the agents may receive a placement fee from the Company to be negotiated. Any fee will be the usual and customary amount prevailing for similar transactions in the market and in any case will not exceed 0.875% of the aggregate principal amount of the Securities.

(k) *A statement showing both in total amount and per unit the price to the public, underwriting commission and net proceeds to the applicant:* Total aggregate amount of the Securities to the ultimate purchaser(s) and expenses and net proceeds to the Applicant resulting from the sale or sales are estimated to be no more than as follows:

Item	Securities	
	Amount	Per \$100
1. Face value or principal amount	\$700,000,000	\$100.00
2. Plus premium or less discount		
3. Gross proceeds	\$700,000,000	\$100.00
4. Underwriters' spread or commission (0.875%)	6,125,000	
5. Securities and Exchange Commission registration fee	130,000	
6. Printing and engraving expenses	40,000	
7. Trustee's charges	30,000	
8. Fees and expenses of independent public accountants	60,000	
9. Rating agency fees	150,000	
10. Legal fees	300,000	
12. Total deductions	\$ 6,835,000	0.98
13. Estimated net amount to be realized	\$693,165,000	\$99.02

(l) *Purposes for which the securities are to be issued:* 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 Securities.

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 PGE 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 Securities are within the parameters set forth in this Application.

(m) *A statement as to whether or not any application, registration statement, etc., with respect to the transaction or any part thereof, is required to be filed with any federal or state regulatory body:* No other application is required to be filed with any federal or other state regulatory body. If issued in the public market, the Securities would be issued pursuant to PGE's S-3 registration statement.

(n) *The facts relied upon by the application to show that the issue: is for a lawful object within the corporate purposes; is compatible with public interest; is necessary or appropriate for proper performance by application of service as a utility; will not impair its ability to perform the service; is reasonably necessary and appropriate for such purposes; and if filed under ORS 757.495, is fair and reasonable and not contrary to public interest:* 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 securities issued 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) *A brief statement of all rights to be a corporation, franchises, permits and contracts for consolidation, merger or lease included as assets of the applicant or any predecessor there, the amounts actually paid as consideration therefore, respectively, and the facts relied upon to show the issuance of securities for which approval is requested:* The requirements of OAR 860-027-030 (o) are not applicable.

(p) *If filed under ORS 757.490, 757.495, 759.385, or 759.390 a statement describing relationship between utility and the affiliated interest:* The requirements of OAR 860-027-030 (p) are not applicable.

## **II. Required Exhibits Under OAR 860-027-0030(2)**

The following exhibits are submitted and by reference made a part of this application:

***EXHIBIT A.*** *Articles of Incorporation, as Amended and Restated*, effective on May 13, 2009

(Second Amended and Restated Articles previously filed in Docket UF-4264 and by reference made a part of this application).

***EXHIBIT B.*** *A copy of the bylaws with amendments to date:* (Ninth Amended and Restated Bylaws adopted October 26, 2011, and previously filed in Docket UP-278, and by reference made a part of this application).

***EXHIBIT C.*** *Copies of all resolutions of directors authorizing the proposed disposition, merger, or consolidation of facilities, mortgage or encumbrance of property, acquisition of stock,*

*bonds, or property of another utility, in respect to which the application is made and, if approval of stockholders has been obtained, copies of the resolutions of the stockholders should also be furnished: Directors' Resolution to be filed when available.*

**EXHIBIT D.** *Copies of all mortgages, trust, deeds, or indentures, securing any obligation of each party to the transaction: To be filed when available.*

**EXHIBIT E.** *Balance sheets showing booked amounts, adjustments to record the proposed transaction and pro forma, with supporting fixed capital or plant schedules in conformity with the forms in the annual report, which applicant(s) is required, or will be required, to file with the Commission: Balance sheets showing booked amounts, adjustments to record the proposed transactions and pro forma Balance sheets as of December 31, 2013 are attached. [Attached in electronic format]*

**EXHIBIT F.** *A statement of all known contingent liabilities, except minor items such as damage claims and similar items involving relatively small amounts, as of the date of the application, as of December 31, 2013: See attached [electronic format]*

**EXHIBIT G.** *Comparative income statements showing recorded results of operations, adjustments to record the proposed transaction and pro forma, in conformity with the form in the annual report which applicant(s) is required, or will be required, to file with the Commission, as of December 31, 2013: See Attached Income Statement for the 12-month period ended December 31, 2013 and pro forma. [Attached in electronic format]*

**EXHIBIT H.** *An analysis of surplus for the period covered by the income statements referred to in Exhibit G, as of December 31, 2013 and pro forma: See Attached Analysis of retained earnings for the 12-month period ended December 31, 2013 and pro forma. [Attached in electronic format]*

**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 filed if applicable.*

**EXHIBIT J.** *A copy of each proposed and of the published invitation of proposals for the purchase of underwriting of the securities to be issued; of each proposal received; and of each contract, underwriting, and other arrangement entered into for the sale or marketing of securities: Not Applicable.*

**EXHIBIT K.** *Copies of the stock certificates, notes, or other evidences of indebtedness proposed to be issued: To be filed when available.*

**WHEREFORE,** the Applicant respectfully requests an Order authorizing PGE to issue and sell not more than \$700 million of First Mortgage Bonds.

Dated this 9th day of April, 2014.

**PORTLAND GENERAL ELECTRIC COMPANY**

By \_\_\_\_\_

  
Patrick G. Hager,

Manager, Regulatory Affairs

On Behalf of Portland General Electric Company

121 SW Salmon Street, 1WTC-0702

Portland, Oregon 97204

Phone: (503) 464-7580

E-Mail: [patrick.hager@pgn.com](mailto:patrick.hager@pgn.com)



Portland General Electric Company and Subsidiaries  
Consolidated Balance Sheet  
December 31, 2013  
(In Millions)

	December 31, 2013	Adjustments <sup>(1)</sup>	Adjusted Total
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 107		\$ 107
Accounts receivable, net	146		146
Unbilled revenues	104		104
Inventories	65		65
Margin deposits	9		9
Regulatory assets - current	66		66
Other current assets	94		94
Total current assets	<u>591</u>	<u>-</u>	<u>591</u>
Electric utility plant	7,095		7,095
Construction work in progress	508		508
Total cost	7,603		7,603
Less: accumulated depreciation and amortization	<u>(2,723)</u>		<u>(2,723)</u>
Electric utility plant, net	4,880		4,880
Regulatory assets - noncurrent	464		464
Non-qualified benefit plan trust	35		35
Nuclear decommissioning trust	82		82
Other noncurrent assets	49		49
Total assets	<u>\$ 6,101</u>	<u>\$ -</u>	<u>\$ 6,101</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 173		\$ 173
Short-term debt	-		-
Liabilities from price risk management activities - current	49		49
Current portion of long-term debt	-		-
Accrued expenses and other current liabilities	171		171
Total current liabilities	<u>393</u>	<u>-</u>	<u>393</u>
Long-term debt, net of current portion	1,916		1,916
Regulatory liabilities - noncurrent	865		865
Deferred income taxes	586		586
Liabilities from price risk management activities - noncurrent	141		141
Unfunded status of pension and postretirement plans	154		154
Non-qualified benefit plan liabilities	101		101
Asset retirement obligations	100		100
Other noncurrent liabilities	25		25
Total liabilities	<u>\$ 4,281</u>	<u>\$ -</u>	<u>\$ 4,281</u>
Commitments and contingencies (see notes)	-		-
<b>Equity</b>			
Portland General Electric Company shareholders' equity			
Preferred stock	-		-
Common stock	911		911
Accumulated other comprehensive loss	(5)		(5)
Retained earnings	913		913
Total Portland General Electric Company shareholders' equity	<u>1,819</u>	<u>-</u>	<u>1,819</u>
Noncontrolling interests' equity	1		1
Total Equity	<u>1,820</u>	<u>-</u>	<u>1,820</u>
Total liabilities and equity	<u>\$ 6,101</u>	<u>\$ -</u>	<u>\$ 6,101</u>

<sup>(1)</sup> Reflects journal entries in Exhibit "J"

**Exhibit "F"**  
**Statement of Contingent Liabilities**  
**As of December 31, 2013**

PGE is subject to legal, regulatory, and environmental proceedings, investigations, and claims that arise from time to time in the ordinary course of its business. Contingencies are evaluated using the best information available at the time the consolidated financial statements are prepared. Legal costs incurred in connection with loss contingencies are expensed as incurred. The Company may seek regulatory recovery of certain costs that are incurred in connection with such matters, although there can be no assurance that such recovery would be granted.

Loss contingencies are accrued, and disclosed if material, when it is probable that an asset has been impaired or a liability incurred as of the financial statement date and the amount of the loss can be reasonably estimated. If a reasonable estimate of probable loss cannot be determined, a range of loss may be established, in which case the minimum amount in the range is accrued, unless some other amount within the range appears to be a better estimate.

A loss contingency will also be disclosed when it is reasonably possible that an asset has been impaired or a liability incurred if the estimate or range of potential loss is material. If a probable or reasonably possible loss cannot be reasonably estimated, then the Company (i) discloses an estimate of such loss or the range of such loss, if the Company is able to determine such an estimate, or (ii) discloses that an estimate cannot be made.

If an asset has been impaired or a liability incurred after the financial statement date, but prior to the issuance of the financial statements, the loss contingency is disclosed, if material, and the amount of any estimated loss is recorded in the subsequent reporting period.

The Company evaluates, on a quarterly basis, developments in such matters that could affect the amount of any accrual, as well as the likelihood of developments that would make a loss contingency both probable and reasonably estimable. The assessment as to whether a loss is probable or reasonably possible, and as to whether such loss or a range of such loss is estimable, often involves a series of complex judgments about future events. Management is often unable to estimate a reasonably possible loss, or a range of loss, particularly in cases in which: i) the damages sought are indeterminate or the basis for the damages claimed is not clear; ii) the proceedings are in the early stages; iii) discovery is not complete; iv) the matters involve novel or unsettled legal theories; v) there are significant facts in dispute; vi) there are a large number of parties (including where it is uncertain how liability, if any, will be shared among multiple defendants); or vii) there is a wide range of potential outcomes. In such cases, there is considerable uncertainty regarding the timing or ultimate resolution, including any possible loss, fine, penalty, or business impact.

***Trojan Investment Recovery***

*Regulatory Proceedings.* In 1993, PGE closed Trojan and sought full recovery of, and a rate of return on, its Trojan costs in a general rate case filing with the OPUC. In 1995, the OPUC issued a general rate order that granted the Company recovery of, and a rate of return on, 87% of its remaining investment in Trojan.

Numerous challenges and appeals were subsequently filed in various state courts on the issue of the OPUC's authority under Oregon law to grant recovery of, and a return on, the Trojan investment. In 1998, the Oregon Court of Appeals upheld the OPUC's order authorizing PGE's recovery of the Trojan investment, but held that the OPUC did not have the authority to allow the Company to recover a return on the Trojan investment and remanded the case to the OPUC for reconsideration.

In 2000, PGE entered into agreements to settle the litigation related to recovery of, and return on, its investment in Trojan. The settlement, which was approved by the OPUC, allowed PGE to remove from its balance sheet the remaining investment in Trojan as of September 30, 2000, along with several largely offsetting regulatory liabilities. After offsetting the investment in Trojan with these liabilities, 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 was no longer included in prices charged to customers, either through a return of or a return on that investment. The Utility Reform Project (URP) did not participate in the settlement and filed a complaint with the OPUC challenging the settlement agreements. In 2002, the OPUC issued an order (2002 Order) denying all of the URP's challenges. In 2007, following several appeals by various parties, the Oregon Court of Appeals issued an opinion that remanded the 2002 Order to the OPUC for reconsideration.

The OPUC then issued an order in 2008 (2008 Order) that required PGE to provide refunds, including interest from September 30, 2000, to customers who received service from the Company during the period from October 1, 2000 to September 30, 2001. The Company recorded a charge of \$33.1 million in 2008 related to the refund and accrued additional interest expense on the liability until refunds to customers were completed in the first quarter of 2010. The URP and the plaintiffs in the class actions described below separately appealed the 2008 Order to the Oregon Court of Appeals. On February 6, 2013, the Oregon Court of Appeals issued an opinion that upheld the 2008 Order. On May 31, 2013, the Court of Appeals denied the appellants' request for reconsideration of the decision. On October 18, 2013, the Oregon Supreme Court granted plaintiffs' petition seeking review of the February 6, 2013 Oregon Court of Appeals decision. Opening briefs have been filed with oral argument scheduled for March 4, 2014.

*Class Actions.* In two separate legal proceedings, lawsuits were filed in Marion County Circuit Court against PGE in 2003 on behalf of two classes of electric service customers. The class action lawsuits seek damages totaling \$260 million, plus interest, as a result of the Company's inclusion, in prices charged to customers, of a return on its investment in Trojan.

In 2006, the Oregon Supreme Court issued a ruling ordering the abatement of the class action proceedings until the OPUC responded to the 2002 Order (described above). The Oregon Supreme Court concluded that the OPUC has primary jurisdiction to determine what, if any, remedy can be offered to PGE customers,

through price reductions or refunds, for any amount of return on the Trojan investment that the Company collected in prices.

The Oregon Supreme Court further stated that if the OPUC determined that it can provide a remedy to PGE's customers, then the class action proceedings may become moot in whole or in part. The Oregon Supreme Court added that, if the OPUC determined that it cannot provide a remedy, the court system may have a role to play. The Oregon 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. The Marion County Circuit Court subsequently abated the class actions in response to the ruling of the Oregon Supreme Court.

As noted above, on February 6, 2013, the Oregon Court of Appeals upheld the 2008 Order. Because the Oregon Supreme Court has granted the plaintiffs' petition seeking review of that decision, and the class actions described above remain pending, management believes that it is reasonably possible that the regulatory proceedings and class actions could result in a loss to the Company in excess of the amounts previously recorded and discussed above. Because these matters involve unsettled legal theories and have a broad range of potential outcomes, sufficient information is currently not available to determine PGE's potential liability, if any, or to estimate a range of potential loss.

#### ***Pacific Northwest Refund Proceeding***

In 2001, the FERC called for a 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 (Pacific Northwest Refund proceeding). During that period, PGE both sold and purchased electricity in the Pacific Northwest. In 2003, the FERC issued an order terminating the proceeding and denying the claims for refunds. Parties appealed various aspects of the FERC order to the U.S. Ninth Circuit Court of Appeals (Ninth Circuit).

In August 2007, the Ninth Circuit issued a decision, concluding that the FERC failed to adequately explain how it considered or examined new evidence showing intentional market manipulation in California and the potential ties to the Pacific Northwest and that the FERC should not have excluded from the Pacific Northwest Refund proceeding purchases of energy made by the California Energy Resources Scheduling (CERS) division in the Pacific Northwest spot market. The Ninth Circuit remanded the case to the FERC to: i) address the new market manipulation evidence in detail and account for the evidence in any future orders regarding the award or denial of refunds in the proceedings; ii) include sales to CERS in its analysis; and iii) further consider its refund decision in light of related, intervening opinions of the court. The Ninth Circuit offered no opinion on the FERC's findings based on the record established by the administrative law judge and did not rule on the FERC's ultimate decision to deny refunds. After denying requests for rehearing, the Ninth Circuit in April 2009 issued a mandate giving immediate effect to its August 2007 order remanding the case to the FERC.

In October 2011, the FERC issued an Order on Remand, establishing an evidentiary hearing to determine whether any seller had engaged in unlawful market activity in the Pacific Northwest spot markets during the December 25, 2000 through June 20, 2001 period by violating specific contracts or tariffs, and, if so, whether a direct connection existed between the alleged unlawful conduct and the rate charged under the applicable contract. The FERC held that the *Mobile-Sierra* public interest standard governs challenges to the bilateral contracts at issue in this proceeding, and the strong presumption under *Mobile-Sierra* that the rates charged under each contract are just and reasonable would have to be specifically overcome before a refund could be ordered. The FERC directed the presiding judge, if necessary, to determine a refund methodology and to calculate refunds, but held that a market-wide remedy was not appropriate, given the bilateral contract nature of the Pacific Northwest spot markets. Certain parties claiming refunds filed requests for rehearing of the Order on Remand.

In December 2012, the FERC issued an order granting an interlocutory appeal of the trial judge's ruling on the scope of the remand proceeding. In this order, the FERC held that its Order on Remand was not intended to alter the general state of the law regarding the *Mobile-Sierra* presumption. The FERC clarified that the *Mobile-Sierra* presumption could be overcome either by: i) a showing that a respondent had violated a contract or tariff and that the violation had a direct connection to the rate charged under the applicable contract; or ii) a showing that the contract rate at issue imposed an excessive burden or seriously harmed the public interest.

On April 5, 2013, and subject to its December 2012 clarification in the interlocutory appeal, the FERC denied rehearing requests from refund proponents that had contested the FERC's use of the *Mobile-Sierra* standard in the remand proceeding, its denial of a market-wide remedy, and the restraints in the Order on Remand that limited the types of evidence that could be introduced in the hearing. However, the FERC granted rehearing on the issue of the appropriate refund period, holding that parties could pursue refunds for transactions between January 1, 2000 and December 24, 2000 under Section 309 of the Federal Power Act by showing violations of a filed tariff or rate schedule or of a statutory requirement. Refund claimants have filed petitions for appeal of the Order on Remand and the Order on Rehearing with the Ninth Circuit.

In its October 2011 Order on Remand, the FERC ordered settlement discussions to be convened before a FERC settlement judge. Pursuant to the settlement proceedings, the Company received notice of two claims and reached agreements to settle both claims for an immaterial amount. The FERC approved both settlements during 2012.

Additionally, the settlement between PGE and certain other parties in the California refund case in Docket No. EL00-95, et seq., approved by the FERC in May 2007, resolved all claims between PGE and the California parties named in the settlement (including CERS) as to transactions in the Pacific Northwest during the settlement period, January 1, 2000 through June 20, 2001, but did not settle potential claims from other market participants relating to transactions in the Pacific Northwest.

The above-referenced settlements resulted in a release for the Company as a named respondent in the ongoing remand proceedings, which are limited to initial and direct claims for refunds, but there remains a

possibility that additional claims related to this matter could be asserted against the Company in future proceedings if refunds are ordered against current respondents.

Management believes that this matter could result in a loss to the Company in future proceedings. However, management cannot predict whether the FERC will order refunds, which contracts would be subject to refunds, the basis on which refunds would be ordered, or how such refunds, if any, would be calculated. Due to these uncertainties, sufficient information is currently not available to determine PGE's liability, if any, or to estimate a range of reasonably possible loss.

#### ***EPA Investigation of Portland Harbor***

A 1997 investigation by the United States Environmental Protection Agency (EPA) of a segment of the Willamette River known as Portland Harbor revealed significant contamination of river sediments. The EPA subsequently included Portland Harbor on the National Priority List pursuant to the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) as a federal Superfund site and listed 69 Potentially Responsible Parties (PRPs). PGE was included among the PRPs as it has historically owned or operated property near the river. In January 2008, the EPA requested information from various parties, including PGE, concerning additional properties in or near the original segment of the river under investigation as well as several miles beyond. Subsequently, the EPA has listed additional PRPs, which now number over one hundred.

The Portland Harbor site is currently undergoing a remedial investigation (RI) and feasibility study (FS) pursuant to an Administrative Order on Consent (AOC) between the EPA and several PRPs known as the Lower Willamette Group (LWG), which does not include PGE.

In March 2012, the LWG submitted a draft FS to the EPA for review and approval. The draft FS, along with the RI, provide the framework for the EPA to determine a clean-up remedy for Portland Harbor that will be documented in a Record of Decision, which the EPA is expected to issue in 2015 or 2016.

The draft FS evaluates several alternative clean-up approaches. These approaches would take from two to 28 years with costs ranging from \$169 million to \$1.8 billion, depending on the selected remedial action levels and the choice of remedy. The draft FS does not address responsibility for the costs of clean-up, allocate such costs among PRPs, or define precise boundaries for the clean-up. Responsibility for funding and implementing the EPA's selected clean-up will be determined after the issuance of the Record of Decision.

Management believes that it is reasonably possible that this matter could result in a loss to the Company. However, due to the uncertainties discussed above, sufficient information is currently not available to determine PGE's liability for the cost of any required investigation or remediation of the Portland Harbor site or to estimate a range of potential loss.

#### ***DEQ Investigation of Downtown Reach***

The Oregon Department of Environmental Quality (DEQ) has executed a memorandum of understanding with the EPA to administer and enforce clean-up activities for portions of the Willamette River that are upriver from the Portland Harbor Superfund site (the Downtown Reach). In January 2010, the DEQ issued an order requiring PGE to perform an investigation of certain portions of the Downtown Reach. PGE completed this investigation in December 2011 and entered into a consent order with the DEQ in July 2012 to conduct a feasibility study of alternatives for remedial action for the portions of the Downtown Reach that were included within the scope of PGE's investigation. The draft feasibility study report, which describes possible remediation alternatives that range in estimated cost from \$3 million to \$8 million, is expected to be submitted to the DEQ in late February 2014. Using the Company's best estimate of the probable cost for the remediation effort from the set of alternatives provided in the draft feasibility study report, PGE recorded a \$3 million reserve for this matter as of December 31, 2013.

Based on the available evidence of previous rate recovery of incurred environmental remediation costs for PGE, as well as for other utilities operating within the same jurisdiction, the Company has concluded that the estimated cost of \$3 million to remediate the Downtown Reach is probable of recovery. As a result, the Company also recorded a regulatory asset of \$3 million for future recovery in prices as of December 31, 2013. The Company included recovery of the regulatory asset in its 2015 General Rate Case filed with the OPUC in February 2014.

#### *Alleged Violation of Environmental Regulations at Colstrip*

On July 30, 2012, PGE received a Notice of Intent to Sue (Notice) for violations of the Clean Air Act (CAA) at Colstrip Steam Electric Station (CSES) from counsel on behalf of the Sierra Club and the Montana Environmental Information Center (MEIC). The Notice was also addressed to the other CSES co-owners, including PPL Montana, LLC, the operator of CSES. PGE has a 20% ownership interest in Units 3 and 4 of CSES. The Notice alleges certain violations of the CAA, including New Source Review, Title V, and opacity requirements, and states that the Sierra Club and MEIC will: i) request a United States District Court to impose injunctive relief and civil penalties; ii) require a beneficial environmental project in the areas affected by the alleged air pollution; and iii) seek reimbursement of Sierra Club's and MEIC's costs of litigation and attorney's fees.

The Sierra Club and MEIC asserted that the CSES owners violated the Title V air quality operating permit during portions of 2008 and 2009 and that the owners have violated the CAA by failing to timely submit a complete air quality operating permit application to the Montana Department of Environmental Quality (MDEQ). The Sierra Club and MEIC also asserted violations of opacity provisions of the CAA.

On March 6, 2013, the Sierra Club and MEIC sued the CSES co-owners, including PGE, for these and additional alleged violations of various environmental related regulations. The plaintiffs are seeking relief that includes an injunction preventing the co-owners from operating CSES except in accordance with the CAA, the Montana State Implementation Plan, and the plant's federally enforceable air quality permits. In addition, plaintiffs are seeking civil penalties against the co-owners including \$32,500 per day for each

violation occurring through January 12, 2009, and \$37,500 per day for each violation occurring thereafter. On May 3, 2013, the defendants filed a motion to dismiss 36 of the 39 claims in the suit. On September 27, 2013, the plaintiffs filed an amended complaint that deleted the Title V and opacity claims, added claims associated with two 2011 projects, and expanded the scope of certain claims to encompass approximately 40 additional projects. This matter is scheduled for trial in March 2015.

Management believes that it is reasonably possible that this matter could result in a loss to the Company. However, due to the uncertainties concerning this matter, PGE cannot predict the outcome or determine whether it would have a material impact on the Company.

#### ***Challenge to AOC Related to Colstrip Wastewater Facilities***

In August 2012, the operator of CSES entered into an AOC with the MDEQ, which established a comprehensive process to investigate and remediate groundwater seepage impacts related to the wastewater facilities at CSES. Within five years, under this AOC, the operator of CSES is required to provide financial assurance to MDEQ for the costs associated with closure of the waste water treatment facilities. This will establish an obligation for asset retirement, but the operator of CSES is unable at this time to estimate these costs, which will require both public and agency review.

In September 2012, Earthjustice filed an affidavit pursuant to Montana's Major Facility Siting Act (MFSA) that sought review of the AOC by Montana's Board of Environmental Review (BER), on behalf of environmental groups Sierra Club, the MEIC, and the National Wildlife Federation. In September 2012, the operator of CSES filed an election with the BER to have this proceeding conducted in Montana state district court as contemplated by the MFSA. In October 2012, Earthjustice, on behalf of Sierra Club, the MEIC and the National Wildlife Federation, filed with the Montana state district court a petition for a writ of mandamus and a complaint for declaratory relief alleging that the AOC fails to require the necessary actions under the MFSA and the Montana Water Quality Act with respect to groundwater seepage from the wastewater facilities at CSES. On May 31, 2013, the district court judge granted the defendants' motion to dismiss the petition for the writ of mandamus.

Management believes that it is reasonably possible that this matter could result in a loss to the Company. However, due to the uncertainties concerning this matter, PGE cannot predict the outcome or determine whether it would have a material impact on the Company.

#### ***Oregon Tax Court Ruling***

On September 17, 2012, the Oregon Tax Court issued a ruling contrary to an Oregon Department of Revenue (DOR) interpretation and a current Oregon administrative rule, regarding the treatment of wholesale electricity sales. The underlying issue is whether electricity should be treated as tangible or intangible property for state income tax apportionment purposes. The DOR has appealed the ruling of the Oregon Tax Court to the Oregon Supreme Court.



If the ruling is upheld, PGE estimates that its income tax liability could increase by as much as \$7 million due to an increase in the tax rate at which deferred tax liabilities would be recognized in future years. For open tax years per Oregon statute, 2008 through 2012, the Company entered into a closing agreement with the DOR during the third quarter 2013 under which the DOR agreed to the tax apportionment methodology utilized on the tax returns relating to those years. PGE cannot predict the outcome of this matter.

*Other Matters*

PGE is subject to other regulatory, environmental, and legal proceedings, investigations, and claims that arise from time to time in the ordinary course of business, which may result in judgments against the Company. Although management currently believes that resolution of such matters will not have a material impact on its financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties, and management's view of these matters may change in the future.

Portland General Electric Company and Subsidiaries  
 Consolidated Statement of Income  
 Twelve Months Ended  
 December 31, 2013  
 (In Millions)

	Twelve Months December 31, 2013	Adjustments	Adjusted Total
<b>Revenues</b>	\$1,810		\$1,810
<b>Operating Expenses:</b>			
Purchased power and fuel	757		757
Production and distribution	225		225
Cascade Crossing Transmission Project	52		52
Administrative and other	219		219
Depreciation and amortization	248		248
Taxes other than income taxes	103		103
Total operating expenses	<u>1,604</u>		<u>1,604</u>
<b>Income from Operations</b>	206	-	206
<b>Other Income:</b>			
Allowance for equity funds used during construction	13		13
Miscellaneous income, net	7		7
Other Income, net	20	-	20
<b>Interest Expense</b>	<u>101</u>		<u>101</u>
Income before income taxes	125	-	125
<b>Income Taxes</b>	<u>21</u>		<u>21</u>
<b>Net Income</b>	104	-	104
Less: net loss attributable to noncontrolling interests	(1)		(1)
<b>Net Income attributable to Portland General Electric Company</b>	<u>\$105</u>	<u>\$ -</u>	<u>\$105</u>

Portland General Electric Company and Subsidiaries  
Consolidated Statement of Retained Earnings  
Twelve Months Ended  
December 31, 2013  
(In Millions)

	<u>Retained Earnings</u>	<u>Adjustments <sup>(1)</sup></u>	<u>Adjusted Total</u>
Balance at Beginning of Period, January 1, 2013	\$893		\$893
Net Income	105		105
	998		998
Dividends Declared			
Common stock	(85)		(85)
Balance at End of Period, December 31, 2013	<u>\$913</u>	<u>\$0</u>	<u>\$913</u>

(1) No preliminary adjusting entries to the Statement of Retained Earnings.