



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

April 06, 2015

E-File/US Mail

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

Re: UF ____ PGE Finance Application

PGE requests that the Commission assign a new docket and issue an order that will allow PGE to enter into agreements with banks to issue new letters of credit in an aggregate amount not to exceed \$100 million. The proposed letters of credit will provide collateral to counterparties and cover credit requirements for construction and decommissioning at a lower rate than under current PGE revolver facilities. PGE understands that it will be subject to a prudency review regarding any actions undertaken pursuant to this application and subsequent order.

We ask that this Application be placed for consideration at the Commission's May 7, 2015 Public Meeting, or as soon thereafter as possible. Staff has tentatively 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,

A handwritten signature in blue ink that reads "Patrick G. Hager". The signature is written in a cursive style.

Patrick G. Hager
Manager, Regulatory Affairs

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

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF- ____

In the Matter of the Application of)
PORTLAND GENERAL ELECTRIC COMPANY)
for authority to enter into one or more Reimbursement) APPLICATION
Agreements with commercial banks for the purpose)
of issuing letters of credit up to an aggregate amount)
at any one time not to exceed \$100 million)

Pursuant to ORS 757.410(1), and OAR 860-027-0030, Portland General Electric Company (“PGE” or the “Applicant”) is submitting this application requesting authority to enter into one or more new reimbursement or similar agreements (“Reimbursement Agreement(s)”) with one or more commercial banks for the purpose of issuing letters of credit in an aggregate amount not to exceed \$100 million at any one time under such new facilities. Upon any draw under these letters of credit, PGE would be obligated under the Reimbursement Agreement to reimburse the issuing bank on demand for the amount of the draw and related bank expenses. PGE believes the transaction set forth in this application will produce the lowest cost for letters of credit for a similar type and maturity currently available to PGE.¹

I. Required Information under OAR 860-027-0030

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

- (a) *The exact name and address of the utility's principal business office:* 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 operations:* PGE is a corporation organized and existing under and by

¹ The new facilities are in addition to existing Wells Fargo Bank and Scotia Bank LC facilities.

the laws of the State of Oregon. The date of its incorporation is July 25, 1930. PGE is authorized to transact business in the states of Oregon, California, Idaho, Montana, Utah, Washington and as of February 21, 1995, is also registered as an extra-provincial corporation in Alberta, Canada, but conducts retail utility operations only in the state of Oregon.

(c) *Name and address of the person on behalf of applicant authorized to receive notices and communications in respect to this application:*

PGE-OPUC Filings
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
Associate 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:

Brett Greene, Assistant Treasurer
E-Mail: brett.greene@pgn.com

(d) *The names, titles, and addresses of the principal officers:*

As of December 31, 2014, the following are the principal officers of PGE, and their titles, and they are each located at PGE's primary business offices located at 121 SW Salmon Street, Portland, Oregon 97204:

<u>Name</u>	<u>Title</u>
James J. Piro	President and Chief Executive Officer
James F. Lobdell	Senior Vice President, Finance, CFO & Treasurer
William O. Nicholson	Senior Vice President, Customer Service, Transmission and Distribution
Maria M. Pope	Senior Vice President, Power Supply & Operations, And Resource Strategy

Arleen N. Barnett	Vice President Human Resources, Diversity & Inclusion, and Administration
Larry N. Bekkedahl	Vice President, Transmission & Distribution Services
Carol A. Dillin	Vice President, Customer Strategies and Business Development
J. Jeffrey Dudley	Vice President, General Counsel, Corporate Compliance Officer and Assistant Corporate Secretary
Campbell A. Henderson	Vice President, Information Technology, and Chief Information Officer
Stephen M. Quennoz	Vice President, Nuclear and Power Supply/Generation
W. David Robertson	Vice President, Public Policy
Kristin A. Stathis	Vice President, Customer Service Operations
Kirk M. Stevens	Controller and Assistant Treasurer
Brett C. Greene	Assistant Treasurer
Marc S. Bocci	Corporate Secretary
Cheryl Chevis	Assistant Corporate Secretary
Nora Arkonovich	Assistant Corporate Secretary
Karen J. Lewis	Assistant Corporate Secretary

(e) *A description of the general character of the business done and to be done, and a designation of the territories served, by counties and states:* PGE is engaged, and intends to remain engaged, in the generation, purchase, transmission, distribution, and sale of electric energy for public use in Clackamas, Columbia, Hood River, Jefferson, Marion, Morrow, Multnomah, Polk, Washington, and Yamhill counties, Oregon.

(f) *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 stock as of December 31, 2014, the date of PGE’s last major SEC filing (10-K):

	<u>Outstanding Shares</u>	<u>Amount (\$000s)</u>
Common Stock: *		
No Par Value	78,228,339	\$918,158
(160,000,000 shares authorized)		

* Company Directors hold 185,231 shares.

None of the outstanding shares of common stock referenced above are held as reacquired securities or pledged by PGE. Vanguard Group, Inc. held 7.56% of the outstanding PGE common stock and Black Rock Fund Advisors held 5.90% as reported in the most recent Forms 13F filed with the Securities and Exchange Commission. PGE cannot determine from the Forms 13F whether either entity qualifies as an affiliate. PGE reports major shareholder activity annually to the Commission pursuant to OAR 860-027-0175 (AR-544).

(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:* The long-term debt as of December 31, 2014 is as follows from Exhibit G:

Description	Authorized (\$000s)	Outstanding (\$000s)
First Mortgage Bonds:		
6.26% series due 5-1-2031	100,000	100,000
6.31% series due 5-1-2036	175,000	175,000
4.74% series due 2043	75,000	75,000
MTN series due 8-11-2021 9.31%	20,000	20,000
6.75% series VI due 8-1-2023	50,000	50,000
6.875% series VI due 8-1-2033	50,000	50,000
5.80% series due 6-1-2039	170,000	170,000
5.81% series due 10-1-2037	130,000	130,000
5.80% series due 3-1-2018	75,000	75,000
6.80% series due 1-15-2016	67,000	67,000
3.46% series due 1-15-2015	70,000	70,000
3.81% series due 6-15-17	58,000	58,000
4.47% series due 6-15-44	150,000	150,000
4.74% series due 2042	105,000	105,000
4.84% series due 2048	50,000	50,000
6.10% series due 4-15-2019	300,000	300,000
5.43% series due 5-03-2040	150,000	150,000
4.39% series due 8-15-2045	100,000	100,000
4.44% series due 10-15-2046	100,000	100,000
3.51% series due 11-15-2024	<u>80,000</u>	<u>80,000</u>
Total First Mortgage Bonds	<u>2,075,000</u>	<u>2,075,000</u>
 Pollution Control Bonds:		
City of Forsyth, MT		
5.45% series B 5-1-2033 ⁽¹⁾	21,000	21,000
Series A 5-1-2033, remarketed 3-11-10 at 5% Port of Morrow, OR	97,800	97,800
Series A 5-1-2033, remarketed 3-11-10 at 5% Revenue Bonds Series 1996 ⁽²⁾	23,600	23,600
	5,800	5,800
 ⁽¹⁾ This debt instrument, purchased by the Company on May 1, 2009, is currently held for possible remarketing	(21,000)	(21,000)
 ⁽²⁾ This debt instrument, purchased by the Company in 2008, is currently held for possible remarketing	<u>(5,800)</u>	<u>(5,800)</u>
Total Pollution Control Bonds outstanding	<u>121,400</u>	<u>121,400</u>
 Other Long Term Debt:		
Term Loans		
May 12, 2014, due October 30, 2015	75,000	75,000
June 2, 2014, due October 30, 2015	75,000	75,000
June 30, 2014, due October 30, 2015	75,000	75,000
July 21, 2014, due October 30, 2015	80,000	80,000
Long-Term Contracts	90	90
Unamortized Debt Discount and Other	<u>(713)</u>	<u>(713)</u>

Description	Authorized (\$000s)	Outstanding (\$000s)
Total Other Long-Term Debt	<u>304,377</u>	<u>304,377</u>
Total Long-Term Debt	<u>2,500,777</u>	<u>2,500,777</u>
Total Classified as Short-Term	-	-
Net Long Term Debt	<u>2,500,777</u>	<u>2,500,777</u>

None of the long-term debt is pledged or held as reacquired securities, by affiliated interests, or in any fund, except as 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:*

1) Type and nature of securities

PGE proposes to enter into a one or more applications and Reimbursement Agreements for standby letters of credit with one or more commercial banks. The aggregate amount at any one time of the letters of credit issued in accordance with such applications and Reimbursement Agreements will not to exceed \$100 million. The application will permit PGE to request that the bank issue letters of credit on PGE's behalf. Upon any draw under these letters of credit, PGE would be obligated under the Reimbursement Agreement to reimburse such bank on demand for the amount of the draw and related expenses. Any such demand that is not immediately paid by PGE will accrue interest at the bank's prime lending rate plus 2% until the draw is paid in full. The letters of credit will be issued at an annual fee not to exceed 1.25% per annum on the daily amount available to be drawn under the letters of credit payable to the bank quarterly in arrears. In addition, amendments that may be required to the letters of credit from time to time will not exceed a one-time cost of \$150 per amendment. There are no upfront fees required for these new facilities. Under the Reimbursement

Agreements, however, PGE will reimburse the bank for (a) the customary issuance and other processing fees, and other standard costs and charges of the bank computed at such rates as and in accordance with the bank's prevailing practice, relating to letters of credit as from time to time in effect and (b) all reasonable out of pocket expenses (including attorneys' fees and expenses) paid or incurred by the bank in connection with the preparation, negotiation, execution, and delivery of the application, agreement, letters of credit and any amendment or modification thereto. In addition there may be legal fees and expenses for PGE's outside attorneys in connection with the negotiation with the banks and preparation of documents. The amount of fees and expenses for PGE's counsel and reimbursable fees and costs for banks' counsel in connection with the new facilities will not exceed, in the aggregate, \$150,000.

2) Amount of securities

PGE expects to enter into the applications and Reimbursement Agreements with one or more banks and may subsequently direct the banks to issue separate letters of credit in an aggregate amount under such new facilities not to exceed \$100 million. If counterparty makes a draw under a letter of credit, PGE will be obligated to reimburse the bank for the amount drawn plus any costs. The letters of credit may be amended from time to time and the amounts increased so long as the aggregate amount of letters of credit outstanding at any one time under such new facilities does not exceed \$100 million.

3) Interest rate

Interest would only apply when there has been a draw under the letters of credit and PGE has not immediately reimbursed the bank for the amount drawn. In that event, the rate of interest would accrue at an annual rate not to exceed the bank's published prime rate plus 2%.

4) *Date of issuance and maturity*

PGE expects to enter into applications and Reimbursement Agreements with the banks during 2015. The letters of credit issued under the new facilities may be issued for up to one year and may be extended by mutual agreement between the bank and PGE on any annual anniversary date.

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

No ratings are required for the agreements or the letters of credit.

(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:*

See paragraph (h) above for the transaction contemplated.

(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:*

There are no securities to be issued to existing holders of PGE's securities under this transaction and no pro rata rights associated with the transaction.

(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:*

There are no securities issued under the proposed transaction. However the annual fees and costs for the letters of credit to be issued by the banks will be less than those annual fees and costs for letters of credit issued under PGE's current revolving credit agreements.

(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 reimbursement agreement or the letters of credit issued thereunder. 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:* Various commercial banks to be determined by the Company, will receive fees for letters of credit issued as set forth in paragraph (h) above. Attorneys for PGE will receive fees for their services in connection with representing PGE in connection with negotiating the facility. PGE may reimburse a bank for its attorney fees in connection with the facility. See paragraph (h) above.

(k) *A statement showing both in total amount and per unit the price to the public, underwriting commission and net proceeds to the applicant:*

Not applicable.

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

See paragraph (h) above for the purpose of the transaction.

(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:*

The Federal Energy Regulatory Commission has authorized PGE to issue short-term debt up to an aggregate amount not to exceed \$900 million. No other application is required to be filed with any federal or other state regulatory body.

(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, PGE is obligated to secure sufficient generating, transmission, and distribution capacity to serve its customers reliably at the lowest reasonable cost. The proposed letters of credit will provide collateral to counterparties in connection with power supply and other business transactions, cover credit requirements for construction and decommissioning of generation facilities, or be used to support other corporate operations. PGE believes that obtaining through one or more commercial banks the letters of credit 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 PGE; is compatible with the public interest; is necessary and appropriate for and consistent with the proper performance by PGE 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:

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:*

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. *A copy of the charter or articles of incorporation with amendments to date: Third Amended and Restated Articles of Incorporation, effective on May 7, 2014 and previously filed in Docket UP-310 and by reference made a part of this application.*

EXHIBIT B. *A copy of the bylaws with amendments to date: Tenth Amended and Restated Bylaws dated May 7, 2014 and previously filed in Docket UP-310 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: Not applicable.*

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 Sheet showing booked amounts, adjustments to record the proposed transactions and pro forma Balance sheets as of December 31, 2014 are attached. [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 December 31, 2014: 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, 2014: Attached. [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, 2014: Attached. [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: Not applicable.*

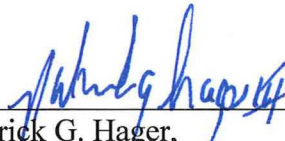
EXHIBIT J. *A copy of each proposed and of the published invitation of proposals for the purchase of underwriting of the securities to be issued; of each proposal received; and of each contract, underwriting, and other arrangement entered into for the sale or marketing of securities: Not applicable.*

EXHIBIT K. *Copies of the stock certificates, notes, or other evidences of indebtedness proposed to be issued: Not applicable.*

WHEREFORE, the Applicant respectfully requests an Order authorizing PGE to enter into a Reimbursement Agreement with Wells Fargo for the purpose of issuing letters of credit up to an aggregate amount not to exceed \$100 million.

Dated: April 06, 2015.

Respectfully Submitted,



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
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Portland General Electric Company and Subsidiaries
Consolidated Balance Sheet
December 31, 2014
(In Millions)

	December 31, 2014	Adjustments ⁽¹⁾	Adjusted Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 127		\$ 127
Accounts receivable, net	149		149
Unbilled revenues	93		93
Inventories	82		82
Regulatory assets - current	133		133
Other current assets	115		115
Total current assets	<u>699</u>	<u>-</u>	<u>699</u>
Electric utility plant	8,161		8,161
Construction work in progress	417		417
Total cost	<u>8,578</u>		<u>8,578</u>
Less: accumulated depreciation and amortization	<u>(2,899)</u>		<u>(2,899)</u>
Electric utility plant, net	<u>5,679</u>		<u>5,679</u>
Regulatory assets - noncurrent	494		494
Nuclear decommissioning trust	90		90
Non-qualified benefit plan trust	32		32
Other noncurrent assets	48		48
Total assets	<u>\$ 7,042</u>	<u>\$ -</u>	<u>\$ 7,042</u>
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable	\$ 156		\$ 156
Liabilities from price risk management activities - current	106		106
Current portion of long-term debt	375		375
Accrued expenses and other current liabilities	236		236
Total current liabilities	<u>873</u>	<u>-</u>	<u>873</u>
Long-term debt, net of current portion	2,126		2,126
Regulatory liabilities - noncurrent	906		906
Deferred income taxes	625		625
Unfunded status of pension and postretirement plans	237		237
Liabilities from price risk management activities - noncurrent	122		122
Asset retirement obligations	116		116
Non-qualified benefit plan liabilities	105		105
Other noncurrent liabilities	21		21
Total liabilities	<u>\$ 5,131</u>	<u>\$ -</u>	<u>\$ 5,131</u>
Commitments and contingencies (see notes)	-		-
Equity			
Portland General Electric Company shareholders' equity			
Preferred stock	-		-
Common stock	918		918
Accumulated other comprehensive loss	(7)		(7)
Retained earnings	1,000		1,000
Total Portland General Electric Company shareholders' equity	<u>1,911</u>	<u>-</u>	<u>1,911</u>
Noncontrolling interests' equity	-		-
Total Equity	<u>1,911</u>	<u>-</u>	<u>1,911</u>
Total liabilities and equity	<u>\$ 7,042</u>	<u>\$ -</u>	<u>\$ 7,042</u>

⁽¹⁾ Reflects journal entries in Exhibit "J"

Exhibit "F"
Statement of Contingent Liabilities
As of December 31, 2014

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 and the reasons.

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.

On October 2, 2014, the Oregon Supreme Court, in a unanimous decision, affirmed the February 6, 2013 Oregon Court of Appeals decision that upheld the OPUC's 2008 Order. On January 15, 2015, the Oregon Supreme Court denied the plaintiffs petition seeking reconsideration of the October 2, 2014 decision.

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.

The October 2, 2014 Oregon Supreme Court decision described above expressly noted that the plaintiffs in the class action must address any request to lift the abatement with the Marion County Circuit Court. PGE is evaluating how to proceed with respect to the class actions.

PGE believes that the October 2, 2014 Oregon Supreme Court decision has reduced the risk of a loss to the Company in excess of the amounts previously recorded and discussed above. However, because the class actions remain pending, management believes that it is still reasonably possible that such a loss to the Company could result. As these matters involve unsettled legal theories and have a broad range of potential outcomes, sufficient information is currently not available to determine the amount of any such loss, 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. Upon appeal of the decision to the U.S. Ninth Circuit Court of Appeals (Ninth Circuit), the Ninth Circuit remanded the case to the FERC to, among other things, address market manipulation evidence in detail and account for the evidence in any future orders regarding the award or denial of refunds in the proceedings.

In response to the Ninth Circuit remand, the FERC issued several procedural orders that established an evidentiary hearing, defined the scope of the hearing, and described the burden of proof that must be met to justify abrogation of the contracts at issue and the imposition of refunds. The orders 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 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. The FERC also expanded the scope of the hearing to allow parties to 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 of a statutory requirement. 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. Refund claimants have filed petitions for appeal of these procedural orders with the Ninth Circuit.

Pursuant to a FERC-ordered settlement process, 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 the California Energy Resource Scheduling division of the California Department of Water Resources (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 of the Company as a named respondent in the first phase of the 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 a subsequent phase of the proceeding if refunds are ordered against some or all of the current respondents.

During the first phase of the remand hearing, now completed, two sets of refund proponents, the City of Seattle, Washington (Seattle) and various California parties on behalf of CERS, presented cases alleging that multiple respondents had engaged in unlawful activities and caused severe financial harm that justified the imposition of refunds. After conclusion of the hearing, the presiding Administrative Law Judge issued an Initial Decision on March 28, 2014 finding: i) that Seattle did not carry its *Mobile-Sierra* burden with respect to its refund claims against any of its respondent sellers; and ii) that the California representatives of CERS did not carry their *Mobile-Sierra* burden with respect to one of the two CERS' respondents, but that CERS had produced evidence that the remaining CERS respondent had engaged in unlawful activity in the implementation of multiple transactions and bad faith in the formation of as many as 119 contracts. The Administrative Law Judge scheduled a second phase of the hearing to commence after a final FERC decision on the Initial Decision. The Administrative Law Judge determined that in the second phase the remaining respondent will have an opportunity to produce additional evidence as to why its transactions should be considered legitimate and why refunds should not be ordered. The findings in the Initial Decision are subject to further FERC action. If the FERC requires one or more respondents to make refunds, it is possible that such respondent(s) will attempt to recover similar refunds from their suppliers, including the Company.

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 from any of the current respondents, which contracts would be subject to refunds, the basis on which refunds would be ordered, or how such refunds, if any, would be calculated. Further, management cannot predict whether any current respondents, if ordered to make refunds, will pursue additional refund claims against their suppliers, and, if so, what the basis or amounts of such potential refund claims against the Company would be. 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 not expected to issue before 2017.

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, was submitted to the DEQ in February 2014. Following the DEQ's evaluation of the draft feasibility study, PGE submitted a final feasibility study to the DEQ in September 2014. The estimated costs in the final feasibility study did not differ significantly from those in the draft feasibility study. Using the Company's best estimate of the probable cost for the remediation effort from the set of alternatives provided in the feasibility study report, PGE has a \$3 million reserve for this matter as of December 31, 2014.

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 has a regulatory asset of \$3 million for future recovery in prices as of December 31, 2014. The Company included recovery of the regulatory asset in its 2015 GRC filed with the OPUC. The final order issued by the OPUC in the 2015 GRC includes revenues to offset the amortization of the regulatory asset over a two year period beginning January 1, 2015.

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 39 claims alleged in the complaint. In September 2013, the plaintiffs filed a motion for partial summary judgment regarding the appropriate method of calculating emissions increases. Also in September 2013, the plaintiffs filed an amended complaint that withdrew 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. In July 2014, the court denied the defendants' motion to dismiss and the plaintiffs' motion for partial summary judgment.

On August 27, 2014, the plaintiffs filed a second amended complaint to which the defendants' response was filed on September 26, 2014. The second amended complaint continues to seek injunctive relief, declaratory relief, and civil penalties for alleged violations of the federal Clean Air Act. The plaintiffs state in the second amended complaint that it was filed, in part, to comply with the court's ruling on the defendants' motion to dismiss and plaintiffs' motion for partial summary judgment. Discovery in this matter is ongoing with trial now scheduled for November 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.

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. It is uncertain whether the ruling will be upheld. Oral argument occurred in May 2014 and the parties now await a Court decision.

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. During the third quarter of 2013, the Company entered into a closing agreement with the DOR, under which the DOR agreed to the tax apportionment methodology utilized on the tax returns relating to open tax years 2008 through 2012.

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.

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, individually and in the aggregate, 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, 2014
(In Millions)

	Twelve Months Ended December 31, 2014	Adjustments	Adjusted Total
Revenues	\$1,900		\$1,900
Operating Expenses:			
Purchased power and fuel	713		713
Generation, transmission and distribution	257		257
Administrative and other	227		227
Depreciation and amortization	301		301
Taxes other than income taxes	109		109
Total operating expenses	<u>1,607</u>		<u>1,607</u>
Income from Operations	293	-	293
Other Income:			
Allowance for equity funds used during construction	37		37
Miscellaneous income, net	<u>1</u>		<u>1</u>
Other Income, net	38	-	38
Interest Expense	<u>96</u>		<u>96</u>
Income before income taxes	235	-	235
Income Taxes	<u>61</u>		<u>61</u>
Net Income	174	-	174
Less: net loss attributable to noncontrolling interests	(1)		(1)
Net Income attributable to Portland General Electric Company	<u>\$175</u>	<u>\$ -</u>	<u>\$175</u>

Portland General Electric Company and Subsidiaries
Consolidated Statement of Retained Earnings
Twelve Months Ended
December 31, 2014
(In Millions)

	<u>Retained Earnings</u>	<u>Adjustments ⁽¹⁾</u>	<u>Adjusted Total</u>
Balance at Beginning of Period, January 1, 2014	\$913		\$913
Net Income	175		175
	<u>1,088</u>		<u>1,088</u>
Dividends Declared			
Common stock	<u>(88)</u>		<u>(88)</u>
Balance at End of Period, December 31, 2014	<u>\$1,000</u>	<u>\$0</u>	<u>\$1,000</u>

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

Portland General Electric Company and Subsidiaries
Consolidated Balance Sheet
December 31, 2014
(In Millions)

	December 31, 2014	Adjustments ⁽¹⁾	Adjusted Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 127		\$ 127
Accounts receivable, net	149		149
Unbilled revenues	93		93
Inventories	82		82
Regulatory assets - current	133		133
Other current assets	115		115
Total current assets	<u>699</u>	<u>-</u>	<u>699</u>
Electric utility plant	8,161		8,161
Construction work in progress	417		417
Total cost	<u>8,578</u>		<u>8,578</u>
Less: accumulated depreciation and amortization	<u>(2,899)</u>		<u>(2,899)</u>
Electric utility plant, net	<u>5,679</u>		<u>5,679</u>
Regulatory assets - noncurrent	494		494
Nuclear decommissioning trust	90		90
Non-qualified benefit plan trust	32		32
Other noncurrent assets	48		48
Total assets	<u>\$ 7,042</u>	<u>\$ -</u>	<u>\$ 7,042</u>
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable	\$ 156		\$ 156
Liabilities from price risk management activities - current	106		106
Current portion of long-term debt	375		375
Accrued expenses and other current liabilities	236		236
Total current liabilities	<u>873</u>	<u>-</u>	<u>873</u>
Long-term debt, net of current portion	2,126		2,126
Regulatory liabilities - noncurrent	906		906
Deferred income taxes	625		625
Unfunded status of pension and postretirement plans	237		237
Liabilities from price risk management activities - noncurrent	122		122
Asset retirement obligations	116		116
Non-qualified benefit plan liabilities	105		105
Other noncurrent liabilities	21		21
Total liabilities	<u>\$ 5,131</u>	<u>\$ -</u>	<u>\$ 5,131</u>
Commitments and contingencies (see notes)	-		-
Equity			
Portland General Electric Company shareholders' equity			
Preferred stock	-		-
Common stock	918		918
Accumulated other comprehensive loss	(7)		(7)
Retained earnings	1,000		1,000
Total Portland General Electric Company shareholders' equity	<u>1,911</u>	<u>-</u>	<u>1,911</u>
Noncontrolling interests' equity	-		-
Total Equity	<u>1,911</u>	<u>-</u>	<u>1,911</u>
Total liabilities and equity	<u>\$ 7,042</u>	<u>\$ -</u>	<u>\$ 7,042</u>

⁽¹⁾ Reflects journal entries in Exhibit "J"

Portland General Electric Company and Subsidiaries
Consolidated Statement of Income
Twelve Months Ended
December 31, 2014
(In Millions)

	Twelve Months Ended <u>December 31, 2014</u>	<u>Adjustments</u>	<u>Adjusted Total</u>
Revenues	\$1,900		\$1,900
Operating Expenses:			
Purchased power and fuel	713		713
Generation, transmission and distribution	257		257
Administrative and other	227		227
Depreciation and amortization	301		301
Taxes other than income taxes	109		109
Total operating expenses	<u>1,607</u>		<u>1,607</u>
Income from Operations	293	-	293
Other Income:			
Allowance for equity funds used during construction	37		37
Miscellaneous income, net	1		1
Other Income, net	<u>38</u>	-	<u>38</u>
Interest Expense	96		96
Income before income taxes	<u>235</u>	-	<u>235</u>
Income Taxes	61		61
Net Income	174	-	174
Less: net loss attributable to noncontrolling interests	<u>(1)</u>		<u>(1)</u>
Net Income attributable to Portland General Electric Company	<u>\$175</u>	<u>\$ -</u>	<u>\$175</u>

Portland General Electric Company and Subsidiaries
Consolidated Statement of Retained Earnings
Twelve Months Ended
December 31, 2014
(In Millions)

	<u>Retained Earnings</u>	<u>Adjustments ⁽¹⁾</u>	<u>Adjusted Total</u>
Balance at Beginning of Period, January 1, 2014	\$913		\$913
Net Income	175		175
	<u>1,088</u>		<u>1,088</u>
Dividends Declared			
Common stock	(88)		(88)
	<u>(88)</u>		<u>(88)</u>
Balance at End of Period, December 31, 2014	<u>\$1,000</u>	<u>\$0</u>	<u>\$1,000</u>

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