



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

August 5, 2016

*Via Electronic Filing*  
*puc.filingcenter@state.or.us*

Oregon Public Utility Commission  
Attention: Filing Center  
PO Box 1088  
Salem, OR 97308-1088

Re: Application for Affiliated Interest Transactions

On April 1, 2016, PGE filed an Application for approval of transactions between Portland General Electric Company (PGE) and Portland General Gas Supply Company (PGGS). On May 20, 2016, PGE withdrew this filing so that a Commission decision on the Affiliated Interest application could be timed to correspond with an associated decision on PGE's long-term gas hedging proposal in Docket No. UE 308. Consequently, PGE now re-submits this application.

Enclosed for filing is a re-application for approval of transactions between PGE and PGGS. The proposed transactions consist of the following:

- PGE to provide support services to PGGS in accordance with the Master Service Agreement (MSA) between PGE and its affiliates. We have updated the MSA between PGE and the affiliates to include Addendum 8 for PGGS. The updated MSA is provided as Attachment 1 to this filing.
- PGE to potentially provide technical services to PGGS related specifically to oil and gas properties in accordance with the terms of the Operating Service Agreement (OSA). The OSA is provided as Attachment 2 to this filing.
- PGGS to provide cost-of-service gas (or the financial equivalent, "Gas") to PGE as a long-term hedge for a portion of PGE's gas fuel requirements in accordance with the terms of the Gas Purchase Agreement (PGA). This transaction is discussed in detail in PGE's annual power cost update (AUT filing), specifically PGE Exhibits 100, 200, 300, 600, and 700. The PGA is provided as Confidential Attachment 3 to this filing.
- PGE to provide a Parental Guaranty to the counterparty for certain PGGS financial obligations under the Capital Program Agreement between PGGS and the counterparty. The Parental Guaranty is provided as Confidential Attachment 4 to this filing.

Application for Affiliated Interest Transactions

August 5, 2016

Page 2

In addition to the above-listed documents, PGE also provides the following documents as part of this filing:

- A copy of the Board of Director Resolution approving the PGA and Parental Guaranty. The Board Resolution is provided as Confidential Attachment 5 to this filing.
- A listing of estimated annual payments per the PGA. The listing is provided as Confidential Attachment 6 to this filing.
- A statement of contingent liabilities. The statement is provided as Exhibit F to this filing per the requirements of OAR 860-027-0035(2).

PGE also submits a Motion for Protective Order and General Protective Order so that the confidential materials identified above can be provided under separate cover.

For the purpose of this application, "affiliates" means persons or corporations having an affiliated interest with PGE under Oregon Revised Statutes (see ORS 757.015 and ORS 757.495).

As in the previous MSA applications, all PGE services to PGGS will be priced at the higher of fully allocated cost or market (unless specified otherwise). As discussed below, however, PGE requests a waiver of the lower-of-cost-or-market rule for PGE's purchase of cost-of-service Gas from PGGS. PGE will purchase the Gas from PGGS at its fully allocated cost, and all costs and revenues from PGGS will be passed to PGE customers.

All transactions between PGE and its affiliates are subject to audit by the Commission and a summary of transactions are filed annually in PGE's affiliated interest report as required by OAR 860-027-0100.

If you have any questions or require further information, please call me at 503-464-7580 or Alex Tooman at 503-464-7623. Please direct all formal correspondence and requests to the following email address [pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com).

Sincerely,



Patrick G. Hager

Manager, Regulatory Affairs

Enclosures

PGH/sp

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

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In the Matter of the Application of ) Application for affiliated  
PORTLAND GENERAL ELECTRIC COMPANY ) interest transactions and  
for Affiliated Interest Transactions ) request for waiver

Pursuant to OAR 860-027-0040, OAR 860-027-0041, ORS 757.015 and ORS 757.495, Portland General Electric Company (PGE) hereby files an Application for Commission approval of transactions between PGE and Portland General Gas Supply Company (PGGS), a PGE subsidiary and affiliate.<sup>1</sup> The proposed transactions consist of the following:

- PGE to provide support services to PGGS in accordance with the Master Service Agreement (MSA) between PGE and its affiliates;
- PGE to potentially provide technical services to PGGS related specifically to oil and gas properties in accordance with the terms of the Operating Service Agreement (OSA);
- PGGS to provide cost-of-service Gas (or the financial equivalent, “Gas”) to PGE as a long-term hedge tool for a portion of PGE’s gas fuel requirements in accordance with the terms of the Purchase Gas Agreement (PGA); and
- PGE to provide a parental guaranty to the counterparty for certain PGGS financial obligations to the counterparty under the Capital Program Agreement.

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<sup>1</sup> Persons or corporations having an affiliated interest with PGE under ORS 757.495.

We address each type of transaction separately below, per the requirements of OAR 860-027-0040, OAR 860-027-0041, and 860-027-0035. In support of this application, and in particular to more fully address the requirements of OAR 860-027-0040(2), sections (g) through (j), PGE provided the following pieces of testimony in its annual power cost update (AUT filing), wherein PGE requests recovery for the costs associated with these transactions.

<u>PGE Exhibit No.</u>	<u>Title</u>	<u>Witnesses</u>
100	Policy	Tinker – Sims
200	Guidelines for Proposed Transactions	Sims – Outama
300	Structure of Proposed Long-Term Gas Hedge	Russell – Tooman
600	Suppl. Testimony with Draft Term Sheet	Russell – Tooman
700	Suppl. Testimony with Definitive Agreements	Sims – Tooman

**A. Services PGE will Provide PGGS**

PGE provides its affiliates with the following types of support services as described and incorporated in the attached MSA (previously approved by Commission Order No. 06-250 in Docket No. UI-248): printing and copying, mail services, computer hardware and software support, human resources support, tax and legal services, accounting services, business analyses, purchasing, product development, finance and treasury services, and construction and engineering services. PGE may also provide PGGS with technical services related specifically to oil and gas properties in accordance with the terms of the OSA.

**1. The information required by OAR 860-027-0041 in connection with Applications for approval of utility goods and services provided to affiliated interests:**

*(a) Its exact name and the address of its principal business office.* Portland General Electric Company, 121 SW Salmon Street, Portland, Oregon 97204.

*(b) The name of the persons authorized on the energy or large telecommunications utility's behalf to receive notices, inquiries, and communications regarding the information.*

Jay Tinker  
Rates and Regulatory Affairs  
Portland General Electric  
1 WTC0306  
121 SW Salmon St.  
Portland, OR 97204  
Phone 503-464-8929  
E-mail: [pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com)

Douglas C. Tingey  
Associate General Counsel  
Portland General Electric  
1 WTC1301  
121 SW Salmon St.  
Portland, OR 97204  
Phone 503-464-8926  
E-mail: [doug.tingey@pgn.com](mailto:doug.tingey@pgn.com)

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

Alex Tooman, Project Manager, Regulatory Affairs  
E-mail: [alex.tooman@pgn.com](mailto:alex.tooman@pgn.com)

*(c) A statement describing the relationship between the energy or large telecommunications utility and the other contracting entity as defined by ORS 757.015, ORS 757.490, ORS 759.010, or ORS 759.385. PGE has an affiliated interest relationship with PGGS, as defined in ORS 757.015(6).*

*(d) The pecuniary interest, directly or indirectly, of any officer or director who is a party to the contract. No PGE officer or director has or will have a direct or indirect pecuniary interest in any contract or agreement between PGE and PGGGS.*

*(e) A description of the goods or services to be provided, the costs incurred in providing those goods or services, the market value of the goods or services if different from the costs, and the method or methods proposed for pricing those goods or services.*

(i) Services to PGGGS:

PGE will provide office support, business analysis, finance and treasury support, human resources, investor relations, legal services, construction and engineering, purchasing, consulting/training services, and other services as listed in the MSA (see Attachment 1). PGE may also provide technical services related specifically to oil and gas properties (e.g., land management, pipeline nominations for gas deliveries, environmental, and geological) in accordance with the terms of the OSA (see Attachment 2).

(ii) Billing by PGE:

PGE will bill PGGGS for all services provided to it at the applicable rate in the MSA. For services detailed in the applicable Addendum to the MSA, PGE will bill PGGGS at the rate specified in the Addendum. These billings will create short-term accounts receivables on PGE's books.

(iii) Pricing by PGE:

PGE support services provided to PGGS will be at the higher of cost or market, unless otherwise specified and approved by the Commission.

*(f) An estimate of the amount the energy or large telecommunications utility will receive annually for the goods or services and the accounts in which it will record the payments.* PGE does not currently have an estimate of the amount it expects to receive for services in 2017 from the affiliate PGGS, because we are not certain of the amount of technical services that will be provided per the OSA. We do, however, expect the total to be below \$3.0 million.

Revenues will be recorded to the appropriate FERC Accounts as dictated by the Code of Federal Regulations.

*(g) The reasons relied upon by the energy or large telecommunications utility for providing the proposed goods or services and the benefits, if any; utility customers will derive from the provision of goods or services:* Since it is not currently anticipated that PGGS will have its own employees, and PGE currently provides these services to other affiliates, PGE believes that it will be cost effective and efficient to provide these services to PGGS. PGE's customers will benefit from the services to PGGS because they would support PGGS's efforts to provide cost-of-service gas (or its financial equivalent, "Gas") to PGE.

*(h) A copy of the contract or agreement between the energy or large telecommunications utility and the contracting entity that is the subject of this filing:* Attachment 1 to this filing is the MSA, which covers the provision of support services by PGE to its affiliates and those that the

affiliates provide to PGE. Addenda 1 through 8 list the agreements between PGE and specific affiliates for services or transactions to and/or from PGE, with Addendum 8 representing the affiliate PGGS agreements. As noted above, the Commission approved the existing MSA (and Addenda 1 through 7) in Order No. 06-250 in Docket No. UI-248.

Attachment 2 to this filing is the proposed OSA, which covers the provision of technical services by PGE to PGGS and is related specifically to oil and gas properties.

(i) *Copies of all resolutions of directors authorizing the proposed transactions and, if stockholders' approval has been obtained, copies of the resolutions approved by the stockholders.* No resolution by the board of directors is necessary; nor does stockholder approval need to be obtained for the services PGE will provide to PGGS.

#### **B. PGE Parental Guaranty**

PGE to provide a parental guaranty to the counterparty for certain PGGS financial obligations under the Capital Program Agreement between PGGS and the counterparty.

#### **1. The information required by OAR 860-027-0035(1) in connection with Applications for approval of transactions between affiliated interests:**

(a) *The information required by OAR 860-027-0030(1)(a) to (g) inclusive:*

(a) *The applicant's exact name and the address of its principal business office. See A. 1. (a), above.*

(b) *The state in which incorporated, the date of incorporation, and the other states in which authorized to transact utility business. PGE is a corporation organized and existing*



under and by 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 person authorized, on behalf of applicant, to receive notices and communications in respect to application. See A. 1. (b), above.*

*(d) The names, titles and addresses of the principal officers of the applicant. As of August 3, 2016, the following are the principal officers of PGE, and their titles. 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, Chief Financial Officer and Treasurer
William O. Nicholson	Senior Vice President, Customer Service, Transmission and Distribution
Maria M. Pope	Senior Vice President, Power Supply & Operations, and Resource Strategy
Larry N. Bekkedahl	Vice President, Transmission and Distribution Services
Carol A. Dillin	Vice President, Customer Strategies and Business Development
J. Jeffrey Dudley	Vice President, General Counsel, Corporate Compliance Officer and Assistant Secretary
Campbell A. Henderson	Vice President, Information Technology and Chief Information Officer
Bradley Y. Jenkins	Vice President, Generation
Anne F. Mersereau	Vice President Human Resources, Diversity and Inclusion
W. David Robertson	Vice President, Public Policy
Kristin A. Stathis	Vice President, Customer Service Operations
Kirk M. Stevens	Controller and Assistant Treasurer
Christopher A. Liddle	Manager of Finance and Assistant Treasurer
Marc S. Bocci	Associate General Counsel and Corporate Secretary
Nora E. Arkonovich	Assistant Corporate Secretary
Karen J. Lewis	Assistant Corporate Secretary
David F. White	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. A map showing the territories served is desirable. 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, Sherman, Washington, and Yamhill counties, Oregon. PGE is also engaged, and intends to continue to engage in the wholesale sale of natural gas.

(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), held amount as reacquired securities; amount pledged by applicant; amount owned by affiliated interests, and amount held in any fund. The following represents PGE's stock as of June 30, 2016, the date of PGE's most recent SEC Form 10-Q:

	<u>Outstanding Shares</u>	<u>Amount (\$000s)</u>
Common Stock: *		
No Par Value (160,000,000 shares authorized)	88,920,756	\$1,197,535

\* Company Directors hold 259,328 shares.

None of the outstanding shares of common stock referenced above are held as reacquired securities or have been pledged by PGE. Vanguard Group, Inc. held 7.25% of the outstanding PGE common stock reported as of February 10, 2016, in an SEC Form 13-F/G

filing. BlackRock, Inc. held 5.70% of the outstanding PGE common stock reported as of January 28, 2016 13-G filing. PGE does not have enough information to determine if any of these funds qualify as affiliates.

(d) (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 or 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 by applicant; amount held by affiliated interests; and amount in sinking and other funds.* The long-term debt as of June 30, 2016 is as follows:

Description	Authorized (\$000s)	Outstanding (\$000s)
First Mortgage Bonds:		
6.10% series due 4-15-2019	\$ 300,000	\$ 300,000
2.51% series due 1-15-2021	140,000	140,000
9.31% MTN series due 8-11-2021	20,000	20,000
6.75% series VI due 8-1-2023	50,000	50,000
3.51% series due 11-15-2024	80,000	80,000
3.55% series due 1-15-2030	75,000	75,000
6.26% series due 5-1-2031	100,000	100,000
6.875% series VI due 8-1-2033	50,000	50,000
3.50% series due 5-15-2035	70,000	70,000
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 5-3-2040	150,000	150,000
4.74% series due 11-15-2042	105,000	105,000
4.47% series due 8-14-2043	75,000	75,000
4.47% series due 6-15-2044	150,000	150,000
4.39% series due 9-15-2045	100,000	100,000
4.44% series due 10-15-2046	100,000	100,000
4.84% series due 12-15-2048	50,000	50,000
Total First Mortgage Bonds	<b><u>\$ 2,090,000</u></b>	<b><u>\$ 2,090,000</u></b>

Pollution Control Bonds:  
City of Forsyth, MT

Description	Authorized (\$000s)	Outstanding (\$000s)
5.45% series B 5-1-2033 <sup>(1)</sup>	\$ 21,000	\$ 21,000
Series A 5-1-2033, remarketed 3-11-10 at 5%	97,800	97,800
Port of Morrow, OR		
Series A 5-1-2033, remarketed 3-11-10 at 5%	23,600	23,600
<sup>(1)</sup> This debt instrument, purchased by the Company on May 1, 2009, is currently held for possible remarketing	(21,000)	(21,000)
<b>Total Pollution Control Bonds outstanding</b>	<b>\$ 121,400</b>	<b>\$ 121,400</b>
Other Long Term Debt:		
Long-Term Contracts	79	79
Unamortized Debt Discount and Other	(627)	(627)
Unamortized Debt Expense	(11,539)	(11,539)
Term bank Loans	125,000	125,000
<b>Total Other Long-Term Debt</b>	<b>\$ 112,913</b>	<b>\$ 112,913</b>
<b>Total Classified as Short-Term</b>	-	-
<b>Net Long Term Debt</b>	<b>\$ 2,324,313</b>	<b>\$ 2,324,313</b>

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

(b) *A full description of the securities for which applicant proposes to assume obligation or liability as guarantor, endorser, surety or otherwise.* None.

(c) *The amount of other securities of said person, firm or corporation now held, owned or controlled by the applicant.* None.

(d) *A statement as to whether or not any application with respect to the transaction or any part thereof is required to be filed with any federal or other state regulatory body.* No application with respect to the transaction or any part thereof is required to be filed with any federal or other state regulatory body.

(e) *The reasons, in detail, why it is in applicant's interest to guaranty such securities.* No securities currently exist. The parental guaranty, however, is necessary to complete the long-term gas hedging transaction as submitted by PGE in Docket No. UE 308. The parental guaranty was included in UE 308 as PGE Exhibit 703C and provided, as updated, here as Confidential Attachment 4. PGE requests that the Commission issue its decision on this affiliated interest application in conjunction with the proposed transaction in UE 308.

(f) *The reasons, in detail, why it is necessary for applicant to guaranty such securities.*  
See B. 1. (e), above.

(g) *The facts relied upon by the applicant to show the assumption is:*

(A) *For some lawful object within the applicant's corporate purposes and compatible with the public interest.* See B. 1. (e), above. The parental guaranty supports, and is necessary for, PGE's proposal for long-term gas hedging in Docket No. UE 308. This proposal would provide PGE customers with a cost-effective, long-term gas hedge against gas price volatility.

(B) *Necessary or appropriate for or consistent with the applicant's proper performance of service as a public or telecommunications utility.* See C. 1. (i), below.

*(C) Will not impair its ability to perform that service.* The parental guaranty would have no impact on PGE's ability to provide safe, reliable electricity to its customers. Instead, it would contribute to more stable energy prices for PGE's customers by limiting gas price volatility for a portion of PGE's gas requirements.

*(D) Reasonably necessary or required for such purposes.* See B. 1. (g) (A), (B), and (C), above.

## **2. Required Exhibits Under OAR 860-027-0035(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:* The Tenth Amended and Restated Bylaws dated May 7, 2014 were 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 assumption in respect to which the application is made and, if stockholders' approval has been obtained, a copy of the stockholders' resolution should also be furnished:* No stockholder approval is needed for the proposed transactions. The applicable resolution by PGE's Board of Directors is provided as Confidential Attachment 5.

**EXHIBIT D.** *A copy of any mortgage, indenture, or other agreement securing any security which it proposes to guaranty; also, a copy of any mortgage, indenture, or other agreement securing applicant's funded obligations:* None

**EXHIBIT E.** *Balance sheets with supporting fixed capital or plant schedules in conformity with the form set forth in the annual report which applicant is required to file with the Commission.*

PGGS did not exist as a corporate entity during the period related to PGE's most recent annual report and PGGS does not yet have a balance sheet. The parental guaranty would not generate any entries to appear on either PGE's or PGGS's balance sheet.

**EXHIBIT F.** *A statement of all known contingent liabilities, except minor items such as damage claims and similar items involving relatively small amounts at the date of the application. A Statement of Contingent Liabilities, as of June 30, 2016, is attached. [electronic format]*

**EXHIBIT G.** *Comparative income statements in conformity with the form set forth in the annual report which applicant is required to file with the Commission.* PGGS did not exist as a corporate entity during the period related to PGE's most recent annual report and PGGS does not yet have an income statement. The parental guaranty would not generate any entries to appear on either PGE's or PGGS's income statement for comparative purposes.

**EXHIBIT H.** *An analysis of surplus for the period covered by the income statements referred to in Exhibit G.* Not applicable.

**EXHIBIT I.** *A statement showing the present market value or other basis of determining the value of the securities to be guaranteed.* None.



### **C. Goods or Services PGGGS Will Provide to PGE**

PGGS will acquire gas and provide it at cost to PGE as a long-term hedge to meet a portion of PGE's gas fuel requirements. Because the ultimate purpose of the gas purchase by PGE is a cost-of-service hedge against the potential volatility of market purchases, PGE hereby requests a waiver of OAR 860-027-0048(4)(e), which requires that:

When services or supplies (except for generation) are sold to an energy utility by an affiliate, sales shall be recorded in the energy utility's accounts at the approved rate if an applicable rate is on file with the Commission or with FERC. If services or supplies (except for generation) are not sold pursuant to an approved rate, sales shall be recorded in the energy utility's accounts at the affiliate's cost or the market rate, whichever is lower.

**1. The information required by OAR 860-027-0040(2) in connection with Applications for approval of transactions between affiliated interests:**

(a) *The applicant's exact name and the address of its principal business office.* See A. 1. (a), above.

(b) *The name and address of the person authorized, on the utility's behalf, to receive notices, inquiries, and communications regarding the information.* See A. 1. (b), above.

(c) *A statement describing the relationship between the utility and the contracting entity as defined by ORS 757.015, ORS 757.490, ORS 759.010, or ORS 759.385.* See A. 1. (c) above.

(d) *The amount, kind, and ratio to total voting securities held, if applicable.* PGE holds 100% of the common stock of PGGGS.

(e) *A list of all officers and directors of the affiliated interest who are also officers or directors of the applicant:*

<u>Name</u>	<u>PGE Title</u>	<u>PGGS Title</u>
James F. Lobdell	Sr. Vice President, CFO, and Treasurer	Director
Maria M. Pope	Sr. Vice President	Director
William O. Nicholson	Sr. Vice President	Director
Marc S. Bocci	Assoc. General Counsel and Secretary	Secretary

(f) *The pecuniary interest, directly or indirectly, of any officer or director who is a party to the contract.* No PGE officer has a direct or indirect pecuniary interest in PGGS, or any indirect pecuniary interest in any contract or agreement between PGE and PGGS.

(g) *A description of the goods or services to be provided, the cost incurred in providing each of the goods or services, the market value of the goods or services if different from the costs, and the method or methods proposed for pricing those goods or services.* PGGS will acquire, from third-parties, rights to long-term gas and will make that Gas available to PGE on a cost-of-service basis. For these purposes, cost of service represents PGGS's revenue requirement for its investment and operating costs associated with acquiring the physical gas. In addition, PGGS's revenue requirement will:

- Include PGE's fully allocated charges per the MSA and OSA; and
- Be consistent with PGE's Commission-approved cost of capital and capital structure.

As noted above, PGE's objective in purchasing the cost-of-service Gas is for a long-term hedge against the potential volatility of market purchases for fuel to run its gas-fired generating

plants. In other words, the hedge is not intended to “beat” the market, but rather to provide price stability based on cost of service. Consequently, PGE hereby requests a waiver of the lower-of-cost-or-market rule in OAR 860-027-0048(4)(e). If this requirement is not waived, then PGE’s proposed transaction with PGGS would not represent a cost-of-service hedge and PGE would not pursue it.

In addition, at PGE’s option, PGGS will fulfill one of the following two alternatives with the produced gas:

- Deliver the physical gas to PGE, who will either burn, store, or resell the gas based on the most economic choice at that time.
- Allow PGGS’s counterparty to market the gas, the revenue for which would be provided to PGE as either a direct offset to its net-variable power cost (NVPC) or used to purchase other gas. This alternative is based on the fact that the jointly owned property is directly connected to interstate gas pipelines located in the Rockies (e.g., Northwest Pipeline and Questar Pipeline). This physical location enables the counterparty to make the optimal decision to sell the jointly marketed production into either the Northwest Pipeline market, or markets accessible via the Questar Pipeline. This agreement would minimize costs to PGE customers by avoiding the need for a new marketing, trading, and risk management function at PGE/PGGS because the counterparty will leverage their existing staff and transport assets to provide this service to PGE at no cost. As stated above, the counterparty will then send PGGS a revenue check that will be used to reduce PGE’s NVPC or purchase physical gas for PGE customers. In addition, the counterparty will

market on PGGGS's behalf the oil and non-gas liquids (NGLs) produced from the proposed operations. Revenues from the sale of PGGGS's working share of oil and NGLs will also be provided to PGE as an offset to NVPC.

(h) *An estimate of the amount the utility will pay annually for the goods or services and the accounts in which it will record the charges.* The estimated annual payments are provided in Confidential Attachment 6 and represent PGGGS's annual revenue requirement for cost-of-service Gas.<sup>2</sup> In addition, as part of PGE's AUT filing (PGE Exhibit 200), we propose to establish guidelines with which to limit the amount of gas PGE would purchase as part of the long-term hedge. Specifically, the first guideline will establish a Long-Term Benchmark Price and the second guideline will establish a maximum gas purchase commitment. To the extent that PGE's long-term gas hedging proposal and associated guidelines are approved, the 2017 gas purchase from PGGGS will be within the guidelines. Expenses will be recorded to the appropriate FERC Accounts as dictated by the Code of Federal Regulations.

(i) *The reasons, in detail, relied upon by the utility for procuring the proposed goods or services from the affiliate and benefits, if any; utility customers and the general public will derive from the provision of goods or services.* PGE plans to purchase the cost-of-service Gas from PGGGS as a long-term hedge against the potential volatility of market purchases for fuel to run its gas-fired generating plants. In 2006, PGE had 5% of its load requirement met by gas-fired generation. At that time, 25% of PGE's load was met by market purchases and 16% by long-term contracts. By 2017, PGE projects that over 40% of its load requirement will be met by gas-fired generation and only 1%

by long-term contracts. A primary result of this transition is that PGE has moved away from a reliance on the short-term electricity market for energy and the risks associated with electric price volatility and supply reliability, and moved toward a reliance on the market for gas and the risks associated with gas price volatility. In response, implementing long-term gas hedges better matches the expected lives of PGE's gas-fired resources, which are expected to remain productive for at least thirty-five years. Consequently, we believe that the appropriate strategy to address a portion of this risk is to engage in long-term gas hedging.

(j) *A description of the procurement process and the reasons, in pertinent detail appropriate to the complexity of the procurement, relied upon by the utility for procuring the proposed goods or services without a competitive procurement process, if such a process is not used.* PGE conducted multiple, concurrent, bi-lateral discussions with 40+ producers and provided each with detailed information regarding PGE's requirements and expectations. PGE also provided each producer with an opportunity to propose structures and terms and conditions that would meet those requirements and expectations.

In each case we provided the producers with a fact-sheet describing PGE, our regulatory process, gas purchasing / hedging needs, and PGE's preference for a long-term strategic partner. We then asked candidates to provide feedback on whether or not they wanted to continue discussions with PGE and if so, to provide an indicative term sheet that would provide a starting point for continued commercial discussions. In order to ensure that any executed transactions best meet the objectives of PGE's proposed long-term gas hedging, we implemented a thorough process for

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<sup>2</sup> Also provided as PGE Exhibit 702C in Docket No. UE 308.  
Affiliated Interest Transactions and Request for Waiver

evaluating, ranking, and selecting preferred resources and counterparties. PGE's scoring and selection criteria included the following elements:

- Price
- Resource characteristics
- Counterparty credit and performance
- Non-price terms and conditions
- Quantity
- Environmental considerations

As previously mentioned, PGE has widely engaged potential sellers and market participants to help ensure that credible and potentially interested counterparties and resources are considered.

*(k) Transfer prices in contracts or agreements for the procurement of goods or services under competitive procurement shall be presumed to be the market value, subject to evaluation of the procurement process. Not applicable.*

*(l) A copy of the proposed contract or agreement between the utility and the contracting entity. Attachment 3 to this filing provides a form of the PGA. PGE will execute a copy of the PGA upon receipt of Commission approval in this docket and UE 308 for inclusion of the costs associated with the proposed transaction in rates.*


*(m) Copies of all resolutions of directors authorizing the proposed transactions and, if stockholders' approval has been obtained, copies of the resolutions approved by the stockholders.*

No stockholder approval is needed for the proposed transactions. The applicable resolution by PGE's Board of Directors is provided as Confidential Attachment 5.

WHEREFORE, PGE respectfully submits this application for an order authorizing the affiliated interest transactions set forth above.

Dated this 5th day of August, 2016.

Respectfully Submitted,

  
\_\_\_\_\_  
Patrick G. Hager  
Manager, Regulatory Affairs  
On Behalf of Portland  
General Electric Company

**Attachment 1**

**Provided in Electronic Format only**

**PGE/Affiliates Master Service Agreement**



## MASTER SERVICE AGREEMENT

THIS AGREEMENT, dated \_\_\_\_\_, 2006, including addenda, is between PORTLAND GENERAL ELECTRIC COMPANY, an Oregon corporation ("PGE"), and its affiliates and subsidiaries ("Master Service Agreement"). PGE's affiliates include the affiliates and subsidiaries as listed in Exhibit A, which may be amended periodically. They are referred to herein as "Affiliated Interests," in accordance with the definition contained in ORS 757.015.

### RECITALS

- A. PGE is a regulated electric utility operating within the state of Oregon with its headquarters located in Portland, Oregon.
- B. PGE employs certain expert personnel capable of performing needed management, analytical, professional, and administrative services in furtherance of the operations of its Affiliated Interests.
- C. PGE's Affiliated Interests employ certain expert personnel capable of performing needed services in furtherance of PGE's operations.
- D. PGE and its Affiliated Interests agree that in some cases it would be more economical for each to provide the other with management, administrative, and other professional services, rather than for each to obtain such services by employing additional staff or by retaining independent contractors or consultants.
- E. PGE desires to make available to its Affiliated Interests such personnel and management, administrative, and other professional services as the Board of Directors or officers of those Affiliated Interests shall reasonably request in the future, without detriment to its utility functions.
- F. PGE's Affiliated Interests desire to make available to PGE such personnel and management, administrative, and other professional services the board of directors or officers of PGE shall reasonably request in the future, without detriment to its corporate functions.

THEREFORE, the parties hereto agree as follows:

### PGE Services

1. Upon the request of the Board of Directors, officers, or managers of PGE, PGE will furnish to its Affiliated Interests the following administrative services as required, given the terms and conditions as follows:

<u>Services</u>	<u>Service Description</u>
A. Office Support	Word Processing, secretarial services, communications, mail services, printing, records management, facilities management, office space, conference room services, office supplies, furniture and equipment, computer services for affiliates' employees located in the World Trade Center or other buildings.
B. Business Analysis	Tax, regulatory, accounting, budgeting, and financial reporting assistance. Also, tax planning, financial and strategic studies, internal auditing services, market intelligence, marketing and product development support, engineering.
C. Finance and Treasury Support	Cash management services, maintain banking relationships, oversee financing, manage corporate and pension investment funds, and provide analytical support.
D. Human Resources	Administration of human resources and management of payroll and benefits.
E. Investor Relations	Provide information for investors. Provide support for corporate communications with the public and the media.
F. Legal Services	Services provided by PGE's Legal Department for legal proceedings and other legal functions.
G. Construction and Engineering Services	Purchasing materials and supplies, hiring contractors and hiring engineering services.
H. Purchasing	Purchasing goods, materials and services through PGE's Service and Contracts Department.
I. Consulting/Training Services	Providing labor, materials and expertise for consulting/training.
J. Other Services	Other services as defined and priced in the Addenda, signed by PGE and appropriate entity, and approved by the OPUC.

2. Affiliated Interest Services

Upon the request of the Board of Directors, officers, or managers of PGE, PGE's Affiliated Interests will furnish to PGE services as required, upon the terms and conditions set forth herein and in the attached Addenda.

### 3. Requests for Service

All services provided will be based on a mutually agreeable work scope, specifying the scope of services, personnel, and budget for services. Changes in the scope of work will be agreed to by the parties.

### 4. Basis of Charges

If the service cost or benefit is intended for inclusion in PGE's retail revenue requirement, then

- a. All billing by PGE to an Affiliated Interest will be at the higher of cost or market, unless otherwise specified and approved by the OPUC; and
- b. All billings by an Affiliated Interest to PGE will be at the lower of cost or market, unless otherwise specified and approved by the OPUC.
- c. For the purpose of this Master Service Agreement, "cost" shall include:
  - (i). All out-of-pocket expenses of the provider of services incurred in connection with the services rendered including an appropriate share of salaries and benefits; amounts paid for independent technical and professional services; and all overhead expenses, including but not limited to space utilization; and
  - (ii). A reasonable return on any investment in assets, equipment, or plant supporting the provision of services ("tangible assets") in the following amounts:
    - (a) For services provided by PGE, the return on tangible assets employed, if any, will be no less than the authorized rate of return of PGE on its investment serving its electric ratepayers; and
    - (b) For services provided by an Affiliated Interest, the return on tangible assets employed, if any, will be no more than the authorized rate of return of PGE on its investment serving its Oregon electric ratepayers.

Costs shall include both direct and indirect costs of operation. Cost allocation is used where a cost incurred by an Affiliated Interest is attributed to related and/or unrelated third parties, including PGE. Exhibit B to this Master Service Agreement describes the method used for allocating common costs to be used by the Affiliated Interest.

### 5. Method of Charging for Services

Once the appropriate basis for charges is established in accordance with Section 4, accounting charges shall be made as follows:

#### a. PGE Charges to Affiliates

PGE will directly assign charges to Affiliated Interests for services involving labor provided to Affiliated Interests on the basis of the number of hours worked by PGE employees multiplied by the cost rate per hour applicable to those employees. The hourly rate will be adjusted to include all appropriate payroll loadings (for benefits,

taxes, etc). In addition, the applicable Administration & General (A&G) allocation rate will be applied to derive the fully loaded cost of employee time associated with services provided. Materials, supplies, and other vouchered items will similarly be charged to Affiliated Interests on the basis of the full cost of the items supplied. Supporting documentation on the cost of non-labor items will be available to Affiliated Interests to substantiate the charges billed. Non-labor costs will not have an A&G allocation rate applied. The allocation of PGE indirect costs to Affiliated Interests is described in the Cost Allocation Manual provided annually with PGE's Affiliated Interest Report. The most current Cost Allocation Manual (as of the effective date of this Master Service Agreement) is attached hereto as part of Exhibit B. Any charges under this Section will be in accordance with PGE's most recent Cost Allocation Manual on file with the Commission.

b. Affiliated Interest Charges to PGE

Affiliated Interests will directly assign charges to PGE for services involving labor provided to PGE on the basis of the number of hours worked by employees of Affiliated Interests multiplied by the cost rate per hour applicable to those employees. The hourly rate will be adjusted to include all appropriate payroll loadings (for benefits, taxes, etc). In addition, the applicable Administration & General (A&G) allocation rate will be applied to derive the fully loaded cost of employee time associated with services provided.

Allocable costs which meet the four-point test described herein will be allocated based on methods described in Exhibit B to this Master Service Agreement. The four points that costs must meet for inclusion in rates are: (1) they must be a necessary, just and reasonable regulated utility expense; (2) they must be for functions that PGE would perform as a stand-alone utility; (3) they must not arise from non-regulated activities; and (4) they must not duplicate functions already performed at PGE.

Periodically, PGE will review the work functions supplied by Affiliated Interests. The review will include a determination of the functions supplied and the relationship between costs incurred (Direct and Allocable) and the entities creating those costs, and establish allocation factors for budgeting and for assigning any allocable costs in accordance with this Section and Section 4 above. In addition, any changes to Exhibit B concerning Affiliated Interest charges to PGE will be submitted to the Commission for approval.

6. Invoicing

- a. As soon as practicable after the last day of each month, the provider of services will invoice the recipient for services and expenses for the month concluded, computed pursuant to Section 4 above.
- b. All invoice charges will be supported by documentation satisfactory to the recipient. Charges for services will be entered into the accounting records in the month following the period in which services were rendered. However, if the invoice is less than \$50,000,

charges will not be entered until either (1) total invoices are more than \$50,000 or (2) quarterly, whichever comes first.

**7. Billing Disputes**

Disputes on billings for services will be resolved through negotiations between an officer of the Affiliated Interest and the Vice President of the department at PGE responsible for providing services or their respective designees.

**8. Books and Records**

- a. All transactions made under this Master Service Agreement will be recorded by PGE in accordance with the uniform system of accounts prescribed by the regulatory authorities having jurisdiction over PGE.
- b. Each party shall have the right at all reasonable times to examine the books and records of the other for the purpose of verifying the cost of the services performed by the other party.

**9. Limitations on Service**

- a. PGE shall render diligently and competently all services reasonably requested by Affiliated Interests to the extent it will not harm PGE's utility functions.
- b. Affiliated Interests shall render diligently and competently all services reasonably requested by PGE to the extent those Affiliated Interests can make available their resources without detriment to its corporate functions, and to the extent that Affiliated Interest services to PGE are specified in the attached Addenda to this Master Service Agreement.
- c. PGE and Affiliated Interests shall coordinate and administer all services being rendered under this Master Service Agreement in order that such services shall be furnished as efficiently and economically as possible.
- d. Neither PGE nor its Affiliated Interests shall have priority over the other in obtaining services under this Master Service Agreement.

**10. Limitation of Authority**

The parties agree that no party shall assume nor create any obligation on behalf of the other party other than such as are specifically provided for herein. Each party reserves to itself the right to make commitments for loans, financing, mortgages, and other commitments necessary and proper for its corporate purposes.

**11. Inspection and Reporting**

All relevant books, records, and other data in possession of either of the parties relating to the operations under the administration of this Master Service Agreement shall at all times, during normal business hours, be made available in Portland, Oregon to any regulatory agency having jurisdiction when engaged in the performance of its lawful functions.

**12. Regulatory Jurisdiction**

It is recognized by the parties that PGE is a public utility subject to regulation and control by various state and federal governmental regulatory agencies. The provisions of this Master Service Agreement shall be construed in aid of and not in derogation of the lawful control and regulatory power of any such agency.

**13. Damages**

IN NO EVENT SHALL A PARTY BE LIABLE TO ANOTHER PARTY HERETO FOR ANY LOST OR PROSPECTIVE PROFITS OR ANY OTHER SPECIAL, PUNITIVE, EXEMPLARY, CONSEQUENTIAL, INCIDENTAL OR INDIRECT LOSSES OR DAMAGES (IN TORT, CONTRACT OR OTHERWISE) UNDER OR IN RESPECT OF THIS MASTER SERVICE AGREEMENT OR FOR ANY FAILURE OF PERFORMANCE RELATED HERETO HOWSOEVER CAUSED, WHETHER OR NOT ARISING FROM THE PARTY'S SOLE, JOINT OR CONCURRENT NEGLIGENCE.

**14. Governing Law**

This Master Service Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Oregon.

**15. Waiver**

Any of the terms and conditions of this Master Service Agreement may be waived at any time and from time to time by the party entitled to the benefit thereof; but a waiver in one instance shall not be deemed to construe a waiver in any other instance. A failure to enforce any provision of this Master Service Agreement shall not operate as a waiver of such provision or of any other provision hereof. Notwithstanding any of the foregoing, Sections 4 and 5 of this MSA may not be waived without approval of the Commission.

**16. Assignment**

This Master Service Agreement shall be binding upon the parties and their representatives but shall not be subject to assignment.

**17. Termination**

PGE reserves the right at any time upon thirty (30) days' notice to its affiliates to terminate this Master Service Agreement in whole or part. PGE, or any affiliate, reserves the right at any time upon 30 days' notice to the other to terminate such affiliate's addendum to this Master Service Agreement. PGE shall notify the Commission at least 15 days prior to such termination.

**18. Integrated Agreement**

This Master Service Agreement embodies the entire agreement and understanding between the parties and supersedes all prior agreements between such parties, except for the January 1, 1993 PGE/WTCNW Service Agreement as amended. This Master Service Agreement may be executed by the parties in separate counterparts, each of which when executed and delivered shall be an original, but which together shall constitute but one and the same agreement.

Date as of \_\_\_\_\_.

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Signature)

PORTLAND GENERAL ELECTRIC  
COMPANY

**Exhibit A**  
**List of PGE Affiliated Interests**

The following is a comprehensive list of Affiliated Interests with which PGE intends to transact business. Each of these companies will provide services to and/or receive services from PGE in accordance with the Master Service Agreement or the Addenda thereto:

<u>Addendum</u>	<u>Affiliated Interests</u>	<u>Status</u>
1.	World Trade Center Northwest Corporation (WTCNW)	Active
2.	Salmon Springs Hospitality Group, Inc. (Salmon Springs)	Active
3.	Portland General Transport Corp. (PGT)	Dissolved
4.	121 SW Salmon Corp. (121 Salmon)	Active
5.	Integrated Utility Solutions, Inc. (IUS)	Dissolved
6.	Portland General Resource Development, Inc. (PGRD)	Dissolved
7.	PGE Foundation	Active
8.	Portland General Gas Supply Company	Active



**Exhibit B**  
**Allocation Methods**

No costs are currently being allocated from Affiliated Interests to PGE. The allocation of PGE indirect costs to Affiliated Interests is described in the Cost Allocation Manual provided annually with PGE's Affiliated Interest Report, the most recent version of which is attached as part of this Exhibit B.

*Addendum 1*

*World Trade Center Northwest Corporation*

*(WTCNW is currently not providing any services to PGE.)*

*A. PGE/WTCNW Services*

*(Attached to this addendum. Included as part of the Master Services Agreement filed with the OPUC on 3-24-06, Docket No. UI-248; Approved by Commission Order No.06-250.)*

*B. PGE/WTCNW Service Agreement*

*(Filed, OPUC Docket UI-126; approved by Order No. 94-1954)*

*C. PGE/WTC Sublease Agreement*

*(Attached to this addendum. Included as part of the Amendment to the Master Services Agreement filed with the OPUC on 3-24-06, Docket No. UI-248; Approved by Commission Order No.06-250.)*

World Trade Center Northwest Corporation      Page 1 of 1

World Trade Center Northwest Corporation (WTCNW) agrees to become a party to the Master Service Agreement dated \_\_\_\_\_, 2006 and receive from PGE the Services described in Section 1 of the Master Service Agreement at the prices calculated in accordance with Section 4 of the Master Service Agreement and abide by all the terms and conditions thereof.

Date as of \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

World Trade Center Northwest Corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Portland General Electric Company

*Addendum 2*

*Salmon Springs Hospitality Group, Inc.*

*A. PGE/Salmon Springs Services*

*(Attached to this addendum. Included as part of the Amendment to the Master Services Agreement filed with the OPUC on 3-24-06, Docket No. UI-248; Approved by Commission Order No.06-250.)*

*B. PGE/Salmon Springs Agreement for Catering Services*

*(Attached to this addendum. Included as part of the Amendment to the Master Services Agreement filed with the OPUC on 3-24-06, Docket No. UI-248; Approved by Commission Order No.06-250.) Sublease 1<sup>st</sup> Amendment executed May 1, 2003.*

Salmon Springs Hospitality Group, Inc.

Page 1 of 1

Salmon Springs Hospitality Group, Inc. (Salmon Springs) agrees to become a party to the Master Service Agreement dated \_\_\_\_\_, 2006 and receive from PGE the Services described in Section 1 of the Master Service Agreement at the prices calculated in accordance with Section 4 of the Master Service Agreement and abide by all the terms and conditions thereof. Salmon Springs Hospitality Group, Inc. agrees to offer PGE the goods and services listed in Table A at the prices listed subject to the terms and conditions in the Master Service Agreement.

TABLE A

Description	Price Paid by PGE
1. <u>Catering Services</u> . Salmon Springs Hospitality Group, Inc. will provide PGE with catering services	Discount to market price. All Salmon Springs profit will be credit to PGE utility accounts

Date as of \_\_\_\_\_

By: \_\_\_\_\_

Salmon Springs Hospitality Group, Inc.

By: \_\_\_\_\_

Portland General Electric Company

*Addendum 3*

*Portland General Transport Corp.*

*(PGT was dissolved, effective as of December 27, 2006)*

*A. PGE/PGT Services*

*(No services between PGE and PGT)*

*B. PGE release (and potential repurchase) of interstate pipeline capacity to PGT*

*(Filed February 2, 1999; UI-175, UM-814, UP-156; Approved by the OPUC, Order No. 99-543)*

*Addendum 4*

*121 SW Salmon Corp.*

*A. PGE/121 Salmon Services*

*(No services between PGE and 121 Salmon)*

*B. PGE/121 Salmon sublease of World Trade Center*

*(Amended sublease application filed with the OPUC on 12-19-97, UI-169; approved by OPUC Order No. 98-193)*

*Addendum 5*

*Integrated Utility Solutions, Inc.*

*(IUS was dissolved, effective as of December 27, 2006)*

- A. *PGE/IUS*  
*(No services between PGE and IUS)*
  
- B. *PGE purchase of computer hardware from IUS*  
*(Filed with the OPUC 4-7-03, Waiver pursuant to OAR 860-027-0043 granted 4-9-03)*



*Addendum 6*

*Portland General Resource Development, Inc.*

*(PGRD was dissolved, effective as of October 5, 2007)*

*A. PGE/PGRD*  
*(No services between PGE and PGRD.)*

*Addendum 7*

*PGE Foundation*

*A. PGE/PGE Foundation Services*

*(Attached to this addendum. Included as part of the Master Services Agreement filed with the OPUC on 3-24-06, Docket No. UI-248; Approved by Commission Order No.06-250.)*

PGE Foundation

Page 1 of 1

PGE Foundation agrees to become a party to the Master Service Agreement dated \_\_\_\_\_, 2006 and receive from PGE the Services described in Section 1 of the Master Service Agreement at the prices calculated in accordance with Section 4 of the Master Service Agreement and abide by all the terms and conditions thereof.

Date as of \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_

PGE Foundation

By: \_\_\_\_\_  
Name: \_\_\_\_\_

Portland General Electric Company

*Addendum 8*

*Portland General Gas Supply Company*

*A. PGE/PGGS Services*

*(Attached to this addendum. Included as part of the Master Service Agreement)*

*B. PGGS purchase of Operating Services from PGE*

*(Included as part of this filing)*

*C. PGE purchase of cost of service gas from PGGS*

*(Included as part of this filing.)*

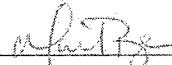
Portland General Gas Supply Company

Page 1 of 1

Portland General Gas Supply Company (PGGS) agrees to become a party to the Master Service Agreement dated April 1, 2016 and receive from PGE the Services described in Section 1 of the Master Service Agreement at the prices calculated in accordance with Section 4 of the Master Service Agreement and abide by all the terms and conditions thereof.

Date as of March 31, 2016

DFW

By: 

Name: Maria M. Lopez  
Portland General Gas Supply Company

By: 

DFW

Name: JAMES F. LORBELL  
Portland General Electric Company

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**Attachment 2**

**Provided in Electronic Format only**

**PGE/PGGS Operating Service Agreement**

## OPERATING SERVICE AGREEMENT

THIS AGREEMENT, dated March 31, 2016 ("Operating Service Agreement"), is between PORTLAND GENERAL ELECTRIC COMPANY, an Oregon corporation ("PGE"), and PORTLAND GENERAL GAS SUPPLY COMPANY, an Oregon corporation ("PGGS"). PGGS is sometimes referred to herein as an "Affiliated Interest," in accordance with the definition contained in ORS 757.015.

### RECITALS

- A. PGE is a regulated electric utility operating within the state of Oregon with its headquarters located in Portland, Oregon.
- B. PGE employs certain expert personnel capable of performing needed management, analytical, professional, and administrative services in furtherance of the operations of the Affiliated Interest.
- C. PGE and PGGS agree that in some cases it would be more economical for PGE to provide PGGS with management, administrative, and other professional services, rather than for PGGS to obtain such services by employing its own staff or by retaining certain independent contractors or consultants.
- D. PGE desires to make available to PGGS such personnel and management, administrative, and other professional services as the board of directors or officers of PGGS shall reasonably request in the future, without detriment to PGE's utility functions.
- E. PGGS has agreed to become a party to the Master Service Agreement as of March 31, 2016, and receive from PGE the services described in Section 1 of the Master Service Agreement at the prices calculated in accordance with Section 4 of the Master Service Agreement and abide by all the terms and conditions thereof. PGGS and PGE wish to enter into this Operating Services Agreement so that PGGS may receive from PGE services not covered by the Master Service Agreement and described herein, but at comparable prices and on similar terms as set forth in the Master Service Agreement.

THEREFORE, the parties hereto agree as follows:

### PGE Services

1. Upon the request of the board of directors, officers, or managers of PGE, PGE will furnish to PGGS the following administrative services as required, given the terms and conditions as follows:

<u>Services</u>	<u>Service Description</u>
A. Construction and Engineering Services	Purchasing materials and supplies, hiring contractors and hiring engineering services.
B. Oil and Gas	Provide services related to the following: (1) land management; (2) technical services (drilling, engineering, environmental and geological); (3) pipeline nominations for natural gas deliveries, and liaison with third party pipelines, processors <i>et al.</i> as to scheduling, balancing and similar matters; (4) payment of royalty (if not paid on PGGGS's behalf by the operator of PGGGS's oil and gas properties); and (5) performance of PGGGS's obligations under joint development agreements, joint operating agreements, acquisition and similar agreements and exercise of PGGGS's rights thereunder, including monitoring of the operator's performance in the financial, technical and health, safety, security and environmental areas; provided, however, that without first obtaining the approval of a representative designated by PGGGS, PGE may not propose, or consent to participate in, any drilling operation or other capital project requiring an expenditure (net to PGGGS's interest) in excess of \$1,000,000 per the relevant "authorization for expenditure" (AFE); and provided further, however, that the foregoing limitation shall not apply in cases of emergency or to address imminent risk of loss of life or bodily injury, or material damage to property or the environment.
C. Sale Assistance	Upon request by PGGGS, provide the following services to PGGGS in connection with a proposed sale of PGGGS's oil and gas properties, or any part thereof (an "Exit Transaction"): (1) formulate a strategy for consummating an Exit Transaction, including the identification of parties that may have an interest in an Exit Transaction, and develop procedures and timetables for implementing an Exit Transaction; (2) prepare or assist PGGGS in the preparation of marketing materials describing PGGGS's oil and gas properties, as well as other materials requested by interested parties; (3) assemble, or assist PGGGS in the assembly of required data, including land schedules and maps, geological maps and data, geophysical data, engineering analyses and supporting documentation, operating agreements, accounting reports, lease operating statements, legal contracts and marketing agreements as PGGGS may request; (4) approach selected parties, and provide these parties with the appropriate material, subject to a confidentiality agreement that is acceptable to PGGGS and the potential purchaser; (5) coordinate, schedule and manage data rooms; (6) assist PGGGS in evaluating proposals regarding a possible Exit Transaction; (7) formulate negotiation strategies, participate in negotiations with interested parties and work with the legal counsel and accountants of PGGGS to facilitate and negotiate letters of intent, term sheets, definitive agreements and other customary agreements associated with completion of an Exit Transaction, as appropriate and customary for oil and gas property divestitures of a similar type as the Exit Transaction; and (8) present analyses of purchase offers or proposals to executive management and the board of directors of PGGGS.
D. Engagement of Third Party Contractors and Service Providers	Engaging and overseeing service providers to assist with, or perform, any of the services to be provided by PGE herein.
E. Other Services	Other services as defined and priced in an Addenda hereto, agreed to by PGE and PGGGS, and approved by the OPUC.



2. **[Intentionally omitted.]**

3. **Requests for Service**

All services provided will be based on a mutually agreeable work scope, specifying the scope of services, personnel, and budget for services. Changes in the scope of work will be agreed to by the parties.

4. **Basis of Charges**

If the service cost or benefit is intended for inclusion in PGE's retail revenue requirement, then

- a. All billing by PGE to PGGS will be at the higher of cost or market, unless otherwise specified and approved by the OPUC.
- b. For the purpose of this Operating Service Agreement, "cost" shall include:
  - (i). All out-of-pocket expenses PGE incurred in connection with the services rendered including an appropriate share of salaries and benefits; amounts paid for independent technical and professional services; and all overhead expenses, including but not limited to space utilization; and
  - (ii). A reasonable return on any investment in assets, equipment, or plant supporting the provision of services ("tangible assets") in an amount no less than the authorized rate of return of PGE on its investment in tangible assets serving its electric ratepayers.

Costs shall include both direct and indirect costs of operation. Cost allocation is used where a cost incurred by PGGS is attributed to related and/or unrelated third parties, including PGE. Exhibit A to this Operating Service Agreement describes the method used for allocating common costs to be used by PGGS.

5. **Method of Charging for Services**

Once the appropriate basis for charges is established in accordance with Section 4, accounting charges shall be made as follows:

PGE will directly assign charges to PGGS for services involving labor provided to PGGS on the basis of the number of hours worked by PGE employees multiplied by the cost rate per hour applicable to those employees. The hourly rate will be adjusted to include all appropriate payroll loadings (for benefits, taxes, etc). In addition, the applicable Administration & General (A&G) allocation rate will be applied to derive the fully loaded, fully allocated cost of employee time associated with services provided. Materials, supplies, and other vouchered items will similarly be charged to PGGS on the basis of the full cost of the items supplied. Supporting documentation on the cost of non-labor items will be available to PGGS to substantiate the charges billed. Non-labor costs will not have an A&G allocation rate applied. The allocation of PGE indirect costs to PGGS is described in the Cost Allocation Manual provided annually with PGE's Affiliated Interest Report. The most current Cost Allocation Manual (as of the effective date of this Operating Service Agreement) is attached hereto as part of Exhibit A. Any charges under this Section will be in accordance with PGE's most recent Cost Allocation Manual on file with the Commission.

6. **Invoicing**

- a. As soon as practicable after the last day of each month, PGE will invoice PGGGS for services and expenses for the month concluded, computed pursuant to Section 4 above.
- b. All invoice charges will be supported by documentation satisfactory to PGGGS. Charges for services will be entered into the accounting records in the period in which services were rendered.

7. **Billing Disputes**

Disputes on billings for services will be resolved through negotiations between an officer of PGGGS and the Vice President of the department at PGE responsible for providing services or their respective designees.

8. **Books and Records**

- a. All transactions made under this Operating Service Agreement will be recorded by PGE in accordance with the uniform system of accounts prescribed by the regulatory authorities having jurisdiction over PGE.
- b. PGGGS shall have the right at all reasonable times to examine the books and records of PGE for the purpose of verifying the cost of the services performed by PGE.

9. **Limitations on Service**

- a. PGE shall render diligently and competently all services reasonably requested by PGGGS to the extent it will not harm PGE's utility functions.
- b. PGE and PGGGS shall coordinate and administer all services being rendered under this Operating Service Agreement in order that such services shall be furnished as efficiently and economically as possible.
- c. Neither PGE nor PGGGS shall have priority over the other in obtaining services under this Operating Service Agreement.

10. **Limitation of Authority**

The parties agree that no party shall assume nor create any obligation on behalf of the other party other than such as are specifically provided for herein. Each party reserves to itself the right to make commitments for loans, financing, mortgages, and other commitments necessary and proper for its corporate purposes.

11. **Inspection and Reporting**

All relevant books, records, and other data in possession of either of the parties relating to the operations under the administration of this Operating Service Agreement shall at all times, during normal business hours, be made available in Portland, Oregon to any regulatory agency having jurisdiction when engaged in the performance of its lawful functions.

12. **Regulatory Jurisdiction**

It is recognized by the parties that PGE is a public utility subject to regulation and control by various state and federal governmental regulatory agencies. The provisions of this Operating Service Agreement shall be construed in aid of and not in derogation of the lawful control and regulatory power of any such agency.

13. **Damages**

IN NO EVENT SHALL A PARTY BE LIABLE TO ANOTHER PARTY HERETO FOR ANY LOST OR PROSPECTIVE PROFITS OR ANY OTHER SPECIAL, PUNITIVE, EXEMPLARY, CONSEQUENTIAL, INCIDENTAL OR INDIRECT LOSSES OR DAMAGES (IN TORT, CONTRACT OR OTHERWISE) UNDER OR IN RESPECT OF THIS OPERATING SERVICE AGREEMENT OR FOR ANY FAILURE OF PERFORMANCE RELATED HERETO HOWSOEVER CAUSED, WHETHER OR NOT ARISING FROM THE PARTY'S SOLE, JOINT OR CONCURRENT NEGLIGENCE.

14. **Governing Law**

This Operating Service Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Oregon.

15. **Waiver**

Any of the terms and conditions of this Operating Service Agreement may be waived at any time and from time to time by the party entitled to the benefit thereof; but a waiver in one instance shall not be deemed to construe a waiver in any other instance. A failure to enforce any provision of this Operating Service Agreement shall not operate as a waiver of such provision or of any other provision hereof. Notwithstanding any of the foregoing, Sections 4 and 5 of this Operating Services Agreement may not be waived without approval of the Commission.

16. **Assignment**

This Operating Service Agreement shall be binding upon the parties and their representatives but shall not be subject to assignment.

17. **Termination**

PGE reserves the right at any time upon thirty (30) days' notice to PGGGS to terminate this Operating Service Agreement in whole or part. PGGGS reserves the right at any time upon 30 days' notice to PGE to terminate this Operating Service Agreement in whole or in part. PGE shall notify the Commission at least 15 days prior to such termination.

18. Integrated Agreement

This Operating Service Agreement, together with the Master Service Agreement, embodies the entire agreement and understanding between the parties and supersedes all prior agreements between such parties regarding the provisioning of services described herein. This Operating Service Agreement may be executed by the parties in separate counterparts, each of which when executed and delivered shall be an original, but which together shall constitute but one and the same agreement.

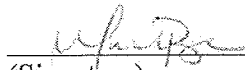
Date as of March 31, 2016.

JAMES F. LOBDELL  
(Name) DFW

  
(Signature)  
PORTLAND GENERAL ELECTRIC  
COMPANY

DAW

Monica W. Pige  
(Name)

  
(Signature)

PORTLAND GENERAL GAS SUPPLY COMPANY

[008694/252510/1]

**Exhibit A**  
**Allocation Methods**

No costs are currently being allocated from Affiliated Interest to PGE. The allocation of PGE indirect costs to Affiliated Interest is described in the Cost Allocation Manual provided annually with PGE's Affiliated Interest Report, the most recent version of which is attached as part of this Exhibit A.

**Attachment 3**

**Provided in Electronic Format only**

**Protected Information Subject to Protective Order**

**PGE/PGGS Purchase Gas Agreement**

**Attachment 4**

**Provided in Electronic Format only**

**Protected Information Subject to Protective Order**

**Parental Guarantee**

**Attachment 5**

**Provided in Electronic Format only**

**Protected Information Subject to Protective Order**

**Board Resolution**



**Attachment 6**

**Provided in Electronic Format only**

**Protected Information Subject to Protective Order**

**Estimated Annual Payments**

**EXHIBIT F**

**Provided in Electronic Format only**

**Statement of Contingent Liabilities**

**Exhibit "F"**  
**Statement of Contingent Liabilities**  
**As of June 30, 2016**

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 circumstances in which it is uncertain how liability, if any, will be shared among multiple defendants); or vii) there are 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 Class Actions*

In 1993, PGE closed the Trojan nuclear power plant (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 2007, following several appeals by various parties, the Oregon Court of Appeals issued an opinion that remanded the matter to the OPUC for reconsideration.

In 2008, the OPUC issued an order (2008 Order) that required PGE to provide refunds of \$33 million, including interest, which were completed in 2010. Following appeals, the 2008 Order was upheld by the Oregon Court of Appeals in February 2013 and by the Oregon Supreme Court (OSC) in October 2014.

In 2003, in two separate legal proceedings, lawsuits were filed in Marion County Circuit Court (Circuit Court) against PGE 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 August 2006, the OSC issued a ruling ordering the abatement of the class action proceedings. The OSC concluded that the OPUC had primary jurisdiction to determine what, if any, remedy could 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 OSC further stated that if the OPUC determined that it could provide a remedy to PGE's customers, then the class action proceedings may become moot in whole or in part. The OSC added that, if the OPUC determined that it could provide a remedy, the court system may have a role to play. The OSC also ruled that the plaintiffs retained the right to return to the Circuit Court for disposition of whatever issues remained unresolved from the remanded OPUC proceedings. In October 2006, the Circuit Court abated the class actions in response to the ruling of the OSC.

In June 2015, based on a motion filed by PGE, the Circuit Court lifted the abatement and in July 2015, the Circuit Court heard oral argument on the Company's motion for Summary Judgment. Following oral argument on PGE's motion for summary judgment, the plaintiffs moved to amend the complaints. PGE opposed the request to amend. On February 22, 2016, the Circuit Court denied the plaintiff's motion to amend the complaint and on March 16, 2016, the Circuit Court entered a general judgment that granted the Company's motion for summary judgment and dismissed all claims by the plaintiffs. On April 14, 2016, the plaintiffs appealed the Circuit Court dismissal to the Court of Appeals for the State of Oregon.

PGE believes that the October 2, 2014 OSC decision and the recent Circuit Court decisions have 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 subject to appeal, management believes that it is 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.

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

In response to the Western energy crisis of 2000-2001, the FERC initiated, beginning in 2001, a series of proceedings to determine whether refunds are warranted for bilateral sales of electricity in the Pacific Northwest wholesale spot market during the period December 25, 2000 through June 20, 2001. In an order issued in 2003, the FERC denied refunds. Various parties appealed the order to the Ninth Circuit Court of Appeals (Ninth Circuit) and, on appeal, the Ninth Circuit remanded the issue of refunds to the FERC for further consideration.

On remand, in 2011 and thereafter, the FERC issued several procedural orders that established an evidentiary hearing, defined the scope of the hearing, expanded the refund period to include January 1, 2000 through December 24, 2000 for certain types of claims, and described the burden of proof that must be met to justify abrogation of the contracts at issue and the imposition of refunds. Those orders included a finding by the FERC 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 held that a market-wide remedy was not appropriate, given the bilateral contract nature of the Pacific Northwest spot markets. Refund proponents appealed these procedural orders at the Ninth Circuit. On December 17, 2015, the Ninth Circuit held that the FERC reasonably applied the *Mobile-Sierra* presumption to the class of contracts at issue in the proceedings and dismissed evidentiary challenges related to the scope of the proceeding. Plaintiffs on behalf of the California Energy Resources Scheduling division of the California Department of Water Resources filed a request for rehearing on February 1, 2016. By order issued April 18, 2016, the Ninth Circuit denied plaintiffs' request for panel rehearing of its decision regarding application of the *Mobile-Sierra* presumption.

In response to the evidence and arguments presented during the hearing, in May 2015, the FERC issued an order finding that the refund proponents had failed to meet the *Mobile-Sierra* burden with respect to all but one respondent. In December 2015, the FERC denied all requests for rehearing of its order. With respect to the remaining respondent, FERC ordered additional proceedings, and a January 2016 revised initial decision has now recommended that certain contracts by such respondent be subject to refund.

The Company has settled all of the direct claims asserted against it in the proceedings for an immaterial amount. The settlements and associated FERC orders have not fully eliminated the potential for so-called “ripple claims,” which have been described by the FERC as “sequential claims against a succession of sellers in a chain of purchases that are triggered if the last wholesale purchaser in the chain is entitled to a refund.” However, the remaining respondent subject to the revised initial decision has stated on the record that it will not pursue ripple claims, and on February 1, 2016, the Acting Chief Administrative Law Judge issued an order holding that the issue of ripple claims is terminated for purposes of Phase II of these proceedings. Therefore, unless the current FERC orders are overturned or modified on appeal, the Company does not believe that it will incur any material loss in connection with this matter.

Management cannot predict the outcome of the various pending appeals and remands concerning this matter. If, on rehearing, appeal, or subsequent remand, the Ninth Circuit or the FERC were to reverse previous FERC rulings on liability or find that a market-wide remedy is appropriate, it is possible that additional refund claims could be asserted against the Company. However, management cannot predict, under such circumstances, 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, would 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 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 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 remedial investigation (RI) has been completed pursuant to an Administrative Order on Consent between the EPA and several PRPs known as the Lower Willamette Group (LWG), which does not include PGE.

The EPA has finalized the feasibility study (FS), along with the RI, and these documents will provide the framework for the EPA to determine a clean-up remedy for Portland Harbor that will be documented in a Record of Decision (ROD).

In June 2016, the EPA issued a proposed clean-up plan for comment. The EPA's preferred alternative set forth in the proposed plan has an estimated present value cost of \$746 million and would take approximately seven years to construct with additional time needed for monitored natural recovery to occur. This cost estimate is approximately half of the estimate that EPA presented in November 2015 for a similar preferred alternative that had an estimated present value cost of \$1.5 billion. A substantial portion of the EPA's reduction in estimated costs relates to revised assumptions and estimates concerning the costs of various activities. There is a 90-day public comment period through September 6, 2016, subject to potential extension if the EPA chooses. The Company currently expects the EPA to issue a determination of its preferred remedy in a final ROD in late 2016. However, responsibility for funding and implementing the EPA's selected remedy is not expected to be determined until several years thereafter. PGE is participating in a voluntary process to develop a method for allocation of costs.

Where injuries to natural resources have occurred as a result of releases of hazardous substances, federal and state natural resource trustees may seek to recover for damages at such sites, which is referred to as natural resource damages. As it relates to the Portland Harbor, PGE has been participating in the Portland Harbor Natural Resource Damages assessment (NRDA) process. The EPA does not manage NRDA activities, but provides claims information and coordination support to the Natural Resource Damages (NRD) trustees. Damage assessment activities are typically conducted by a Trustee Council made up of the trustee entities for the site, and claims are not concluded until a final remedy for clean-up has been settled. The Portland Harbor NRD trustees are the National Oceanic and Atmospheric Administration, the U.S. Fish and Wildlife Service, the State of Oregon, and certain tribal entities.

After the claimed damages at a site are assessed, the NRD trustees may seek to negotiate legal settlements or take other legal actions against the parties responsible for the damages. Funds from such settlements must be used to restore injured resources and may also compensate the trustees for costs incurred in assessing the damages. It is uncertain what portion, if any, PGE may be held responsible related to Portland Harbor.

As discussed above, significant uncertainties still remain concerning the precise boundaries for clean-up, the assignment of responsibility for clean-up costs, the final selection of a proposed remedy by the EPA, the amount of natural resource damages, and the method of allocation of costs amongst PRPs. Although it is probable that the Company's share of these costs could be material, the Company does not currently have sufficient information to reasonably estimate the amount, or range, of its potential costs for investigation or remediation of the Portland Harbor site and NRDA. The Company plans to seek recovery of any costs resulting from the Portland Harbor proceeding through regulatory recovery in customer prices and through claims under insurance policies.

On July 15, 2016, the Company filed a deferral application with the OPUC to allow for the deferral of the future environmental remediation costs, as well as, seek authorization to establish a regulatory cost recovery mechanism for such environmental costs. This Portland Harbor Environmental Remediation Balancing Account (PHERA) mechanism would allow the Company to recover incurred environmental expenditures through a combination of third-party proceeds, such as insurance recoveries, and through

customer prices, as necessary. The mechanism would establish annual prudency reviews of environmental expenditures and be subject to an annual earnings test. The amounts to be recovered under the PHERA is dependent upon future expenditures, third-party recoveries, prudency reviews, and impact of potential earnings reviews.

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

On March 6, 2013, the Sierra Club and the Montana Environmental Information Center (MEIC) sued the co-owners of the Colstrip Steam Electric Station (CSES), including PGE, for alleged violations of the Clean Air Act (CAA), including New Source Review, Title V, and opacity requirements, as well as other alleged violations of various environmental regulations. PGE has a 20% ownership interest in Units 3 and 4 of CSES. The plaintiffs asserted that the CSES owners violated the Title V air quality operating permit during portions of 2008 and 2009 and that the owners violated the CAA by failing to timely submit a complete air quality operating permit application to the Montana Department of Environmental Quality (MDEQ). The plaintiffs sought relief that included 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 sought 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. Between 2013 and 2015, the parties filed various motions to dismiss, motions for summary judgment and amended complaints.

On July 12, 2016, the parties reached a settlement for this case in a consent decree filed in the U.S. District Court in Montana. Pursuant to the terms of the settlement, all alleged violations against the CSES owners, including PGE, have been dropped, and the owners of Colstrip Power Plant Units 1 and 2 have agreed that on or before July 1, 2022, Units 1 and 2, in which PGE has no ownership interest, shall permanently cease operations and shall not, thereafter, burn any fuel in or otherwise operate its boilers. Colstrip Units 3 and 4 are to remain operational, and all other equipment, except for boilers, of Units 1 and 2 may continue to be used to support the operation of Units 3 and 4. The settlement is subject to approval by the District Court. The Company does not anticipate that the settlement will have a material impact on the Company's ownership interest in Units 3 and 4.

### *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 that 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.