



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

June 24, 2014

E-mail / US Mail

puc.filingcenter@state.or.us

Public Utility Commission of Oregon
3930 Fairview Industrial Dr. SE
P.O. Box 1088
Salem, OR 97308-1088

Attention: **Commission Filing Center**

Re: UP-XXX Application for Approval of the Sale of PGE Property at 503 SE 29th Ave.

Enclosed are the original signed Application and five copies requesting approval to sell property in the City of Portland, Multnomah County, Oregon to William-Allen LLC.

We ask that this Application be placed on the docket for consideration at the Commission's July 22, 2014 public meeting or as soon as possible thereafter.

If you have any questions or require further information, please call me at (503) 464-7580 or Irina Phillips at (503) 464-7957. Please direct all formal correspondence, questions, or requests to the following e-mail address: pge.opuc.filings@pgn.com.

Sincerely,

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

Patrick G. Hager
Manager, Regulatory Affairs

PGH/sp

Encls.

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UP-___

In the Matter of the Application of)
PORTLAND GENERAL ELECTRIC COMPANY) APPLICATION
in Regard to the Sale of its Property)

Pursuant to ORS 757.480 and OAR 860-027-0025, Portland General Electric Company ("PGE") seeks approval from the Oregon Public Utility Commission ("Commission") for the sale and transfer of certain PGE property no longer useful or necessary for providing utility service to the public.

I. Background

PGE owns certain property in the City of Portland, County of Multnomah, Oregon, consisting of approximately 6,000 square feet (sf) of land ("Property"). The Property is located at 503 Southeast 29th Avenue, Portland, Oregon and also known as "Lone Fir Substation". The Property description/depiction is included in Exhibit A of the Agreement of Purchase and Sale (see Exhibit I-1, pg. 21). The Property is zoned CN-1 under the jurisdiction of the City of Portland. The parcel is also currently recorded as Multnomah County Document 973-0443. PGE purchased the property in September 1945 from General Petroleum Corporation of California for use as a substation. PGE built the substation over 60 years ago. However, as a result of PGE's 4kV Feeder Conversion Project, PGE determined that the Lone Fir substation was no longer required to serve customers. Consequently, PGE decommissioned the Lone Fir Substation in 2011, and in November 2013, PGE finished removing all equipment from the Property and completed the clean-up of the site.

PGE requests Commission approval to sell the Property to William-Allen LLC (Buyer) pursuant to an Agreement of Purchase and Sale dated June 2, 2014. The Property is no longer needed for utility purposes and is no longer necessary or useful in the performance of PGE's duties to the public. Previously in February 2014, PGE entered into an agreement to sell the Property to Everett Custom Homes, and filed an application for approval with the Commission on March 10, 2014. At the end of March, Everett Custom Homes terminated the transaction prior to closing citing the delay in obtaining results of additional testing at the Property. PGE withdrew the application for approval on April 18th. PGE obtained the results of the testing on April 21, 2014 and has provided copies of the environmental reports (see Exhibit I-1 B) to Buyer. Buyer has until August 1, 2014 to conduct an environmental inspection and has the right to terminate the agreement if it finds the environmental condition of the Property unacceptable. However, the Buyer has waived further environmental testing.

For valuation purposes, an independent MAI appraiser performed an exterior inspection of the Property and researched general market conditions (see Exhibit I-2). The appraised value was \$240,000.

Buyer's offer was the highest offer received by PGE for the Property in response to the listing for sale of the Property with a broker. The purchase price for the Property is \$365,000 and will be paid in cash at closing. The purchase price is in excess of the appraised value. PGE and Buyer have executed an Agreement of Purchase and Sale (Exhibit I-1). Closing of the sale is contingent upon OPUC approval.

For accounting purposes (See Exhibit J), PGE will defer the gain on the sale/transfer of the Property of approximately \$335,000. PGE has agreed to adhere to Staff's desired treatment of gain / losses on the sale of land for purposes of this sale/transfer of the Property sale.

II. Required Information Under OAR 860-027-0025(1)

Pursuant to the requirements of OAR 860-027-0025, 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 the laws of the State of Oregon. The date of its incorporation is July 25, 1930. PGE is authorized to transact utility operations in the state of Oregon. PGE is also authorized to do business in the states of California, Idaho, Montana, Utah and Washington and is also registered as an extra-provincial corporation in Alberta, Canada.

(c) *Names and addresses of the persons on behalf of applicant authorized to receive notices and communications in respect to the application:*

PGE-OPUC Filings	Loretta Mabinton
Rates & Regulatory Affairs	Associate General Counsel
Portland General Electric Company	Portland General Electric Company
121 SW Salmon Street, 1WTC-0702	121 SW Salmon Street, 1WTC-1301
Portland, OR 97204	Portland, OR 97204
(503) 464-7857 (telephone)	(503) 464-7822 (telephone)
(503) 464-7651 (fax)	(503) 464-2200 (fax)
pge.opuc.filings@pgn.com	loretta.mabinton@pgn.com

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

Irina Phillips, Regulatory Affairs
E-Mail: irina.phillips@pgn.com

(d) *The names, titles, and addresses of the principal officers:* As of May 31, 2014, the following are the principal officers of PGE, with 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
Arleen N. Barnett	Vice President, Administration
O. Bruce Carpenter	Vice President, Distribution
Carol A. Dillin	Vice President, Customer Strategies and Business Development
J. Jeffrey Dudley	Vice President, General Counsel, and Corporate Compliance Officer
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
Nora E. Arkonovich	Assistant Secretary
Cheryl A. Chevis	Assistant 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 March 31, 2014, the date of PGE’s most recent Securities and Exchange Commission Form 10-Q:

	<u>Outstanding Shares</u>	<u>Amount (\$000s)</u>
Common Stock: *		
No Par Value	78,182,056	\$911,894
(160,000,000 shares authorized)		

* Company Directors hold 166,977 shares.

None of the outstanding shares of common stock referenced above are held as reacquired securities or have been pledged by the PGE. Vanguard Group, Inc. held 6.84% of the outstanding PGE common stock reported as of February 11, 2014, in an SEC Form 13-G filing. Black Rock Fund Advisors held 5.7% and Massachusetts Financial Services Company (MFS) held 6.0% as reported in a February 2014 SEC Form 13G filing. PGE periodically reports major shareholder activity to OPUC Staff pursuant to OAR 860-027-0175 (AR-544). The most recent such report was filed by PGE on February 19, 2014. PGE does not have enough information to determine if any of these funds qualify as affiliates.

(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 March 31, 2014 is as follows:

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 4-15-19	300,000	300,000
5.43% series due 5-03-40	150,000	150,000
Total First Mortgage Bonds	<u>1,795,000</u>	<u>1,795,000</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%	97,800	97,800
Port of Morrow, OR		
Series A 5-1-2033, remarketed 3-11-10 at 5%	23,600	23,600
Revenue Bonds Series 1996 ⁽²⁾	5,800	5,800
⁽¹⁾ This debt instrument, purchased by the Company on May 1, 2009, is currently held for possible remarketing	<u>(21,000)</u>	<u>(21,000)</u>
⁽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:		
Long-Term Contracts	96	96
Unamortized Debt Discount and Other	<u>(756)</u>	<u>(756)</u>
Total Other Long-Term Debt	<u>(660)</u>	<u>(660)</u>
Total Long-Term Debt	<u>1,915,740</u>	<u>1,915,740</u>

Description	Authorized (\$000s)	Outstanding (\$000s)
Total Classified as Short-Term	-	-
Net Long Term Debt	<u>1,915,740</u>	<u>1,915,740</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) *Whether the application is for disposition of facilities by sale, lease, or otherwise, a merger or consolidation of facilities, or for mortgaging or encumbering its property, or for the acquisition of stock, bonds, or property of another utility, also a description of the consideration, if any, and the method of arriving at the amount thereof:* This application requests approval for PGE to sell a commercial property in the City of Portland. For valuation purposes, an independent MAI appraiser externally inspected the Property (inclusive of the improvements) and researched general market conditions. The appraisal yielded value of the Property was \$240,000. PGE has agreed to sell the Property at the Buyer's offer of \$365,000. The book value of the property was estimated using PGE's accounting records.

(i) *A statement and general description of facilities to be disposed of, consolidated, merged, or acquired from another utility, giving a description of their present use and of their proposed use after disposition, consolidation, merger, or acquisition. State whether the proposed disposition of facilities or plan for consolidation, merger, or acquisition includes all the operating facilities of the parties to the transaction:* The Property is a corner parcel situated at the southwest corner of the intersection of SE 29th Avenue and SE Stark Street in Portland, Oregon. It consists of 6,000 sf of land with a variety of landscaping materials. The Property is no longer needed for

utility purposes.

(j) *A statement by primary account of the cost of the facilities and applicable depreciation reserve involved in the sale, lease, or other disposition, merger or consolidation, or acquisition of property of another utility. If original cost is not known, an estimate of original cost based, to the extent possible, upon records or data of the applicant or its predecessors must be furnished, a full explanation of the manner in which such estimate has been made, and a statement indicating where all existing data and records may be found:* The book value of the Property or transaction was determined using PGE's accounting records. A statement by primary account of the cost of the Property is included in Exhibit L.

(k) *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 this transaction is currently required to be filed with any federal or other state regulatory body.

(l) *The facts relied upon by applicants to show that the proposed sale, lease, assignment, or consolidation of facilities, mortgage or encumbrance of property, or acquisition of stock, bonds, or property of another utility will be consistent with the public interest:* The sale of the Property is consistent with the public interest because the rights given up are now surplus to PGE's needs and not necessary for serving PGE's duty to the public.

(m) *The reasons, in detail, relied upon by each applicant, or party to the application, for entering into the proposed sale, lease, assignment, merger, or consolidation of facilities, mortgage or encumbrance of property, acquisition of stock, bonds, or property of another utility, and the benefits, if any, to be derived by the customers of the applicants and the public:* See

Sections I and II, and paragraphs (h) and (l) above. Furthermore, customers will benefit from the deferral of the gain, with the gain to be refunded in the future.

(n) *The amount of stock, bonds, or other securities, now owned, held or controlled by applicant, of the utility from which stock or bonds are proposed to be acquired:* Not applicable.

(o) *A brief statement of franchises held, showing date of expiration if not perpetual, or, in case of transfer/sale, that transferee has the necessary franchises:* Not applicable.

III. Required Exhibits Under OAR 860-027-0025(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:*

Second Amended and Restated Articles of Incorporation, effective on May 13, 2009 and previously filed in Docket UF-4264 and by reference made a part of this application.

EXHIBIT B. *A copy of the bylaws with amendments to date:* Ninth Amended and Restated

Bylaws dated November 30, 2011 and previously filed in Docket UP-278 and by reference made a part of this application.

EXHIBIT C. *Copies of all resolutions of directors authorizing the proposed disposition, merger, or consolidation of facilities, mortgage or encumbrance of property, acquisition of stock, bonds, or property of another utility, in respect to which the application is made and, if approval of stockholders has been obtained, copies of the resolutions of the stockholders should also be furnished:* Not applicable (no such resolutions were required for the Agreement for Purchase and Sale).

EXHIBIT D. *Copies of all mortgages, trust, deeds, or indentures, securing any obligation of each party to the transaction:* None.

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 March 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 March 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 March 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 March 31, 2014:* Attached. [electronic format]

EXHIBIT I. *A copy of each contract in respect to the sale, lease or other proposed disposition, merger or consolidation of facilities, acquisition of stock, bonds, or property of another utility, as the case may be, with copies of all other written instruments entered into or proposed to be entered into by the parties to the transaction pertaining thereto:* See attached Exhibits I-1 and I-2. [electronic format], the Agreement for Purchase and Sale and Appraisal of PGE Property, "Lone Fir Substation".

EXHIBIT J. *A copy of each proposed journal entry to be used to record the transaction upon each applicant's books:* Attached. [electronic format]

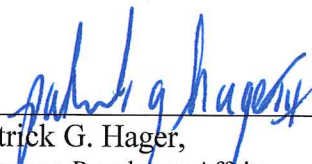
EXHIBIT K. A copy of each supporting schedule showing the benefits, if any, which each applicant relies upon to support the facts as required by subsection (1)(l) of this rule and the reasons as required by subsection (1)(m) of this rule: PGE relies upon this Application and the attached documentation as support for the facts as required by OAR 860-027-0025(1)(l) and (1)(m). EXHIBIT L. Statement by primary account of the Cost of the Property. Attached. [electronic format]

IV. Prayer for Relief

PGE respectfully requests a Commission order finding the sale and transfer of the Property will not harm PGE customers and is consistent with the public interest.

Dated June 24, 2014.

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) 464-7857
E-Mail: patrick.hager@pgn.com
Facsimile: (503) 464-7651

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

	March 31, 2014	Adjustments ⁽¹⁾	Adjusted Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 64		\$ 64
Accounts receivable, net	158		158
Unbilled revenues	77		77
Inventories	64		64
Margin deposits	17		17
Regulatory assets - current	55		55
Other current assets	114		114
Total current assets	<u>549</u>	<u>-</u>	<u>549</u>
Electric utility plant	7,144		7,144
Construction work in progress	633		633
Total cost	7,777		7,777
Less: accumulated depreciation and amortization	<u>(2,768)</u>		<u>(2,768)</u>
Electric utility plant, net	5,009		5,009
Regulatory assets - noncurrent	448		448
Non-qualified benefit plan trust	33		33
Nuclear decommissioning trust	83		83
Other noncurrent assets	47		47
Total assets	<u>\$ 6,169</u>	<u>\$ -</u>	<u>\$ 6,169</u>
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable	\$ 147		\$ 147
Short-term debt	-		-
Liabilities from price risk management activities - current	52		52
Current portion of long-term debt	70		70
Accrued expenses and other current liabilities	182		182
Total current liabilities	<u>451</u>	<u>-</u>	<u>451</u>
Long-term debt, net of current portion	1,846		1,846
Regulatory liabilities - noncurrent	899		899
Deferred income taxes	605		605
Liabilities from price risk management activities - noncurrent	126		126
Unfunded status of pension and postretirement plans	157		157
Non-qualified benefit plan liabilities	102		102
Asset retirement obligations	101		101
Other noncurrent liabilities	25		25
Total liabilities	<u>\$ 4,312</u>	<u>\$ -</u>	<u>\$ 4,312</u>
Commitments and contingencies (see notes)	-		-
Equity			
Portland General Electric Company shareholders' equity			
Preferred stock	-		-
Common stock	912		912
Accumulated other comprehensive loss	(5)		(5)
Retained earnings	949		949
Total Portland General Electric Company shareholders' equity	<u>1,856</u>	<u>-</u>	<u>1,856</u>
Noncontrolling interests' equity	1		1
Total Equity	<u>1,857</u>	<u>-</u>	<u>1,857</u>
Total liabilities and equity	<u>\$ 6,169</u>	<u>\$ -</u>	<u>\$ 6,169</u>

⁽¹⁾ Reflects journal entries in Exhibit "J"

Exhibit "F"
Statement of Contingent Liabilities
As of March 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.

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 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 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. Oral argument occurred in March 2014 and the parties now await a Court 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.

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

Pacific Northwest Refund Proceeding

In 2001, the FERC called for a hearing to explore whether there may have been unjust and unreasonable charges for spot market sales of electricity in the Pacific Northwest from December 25, 2000 through June 20, 2001 (Pacific Northwest Refund proceeding). During that period, PGE both sold and purchased electricity in the Pacific Northwest. In 2003, the FERC issued an order terminating the proceeding and denying the claims for refunds. Upon appeal of the decision to the U.S. Ninth Circuit Court of Appeals (Ninth Circuit) the Court 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 October 2011, the FERC issued an Order on Remand, establishing an evidentiary hearing to determine whether any seller had engaged in unlawful market activity in the Pacific Northwest spot markets during the December 25, 2000 through June 20, 2001 period by violating specific contracts or tariffs, and, if so, whether a direct connection existed between the alleged unlawful conduct and the rate charged under the applicable contract. The FERC held that the *Mobile-Sierra* public interest standard governs challenges to the bilateral contracts at issue in this proceeding, and the strong presumption under *Mobile-Sierra* that the rates charged under each contract are just and reasonable would have to be specifically overcome before a refund could be ordered. The FERC directed the presiding judge, if necessary, to determine a refund methodology and to calculate refunds, but held that a market-wide remedy was not appropriate, given the bilateral contract nature of the Pacific Northwest spot markets.

In December 2012, the FERC issued an order clarifying that the *Mobile-Sierra* presumption could be overcome either by: i) a showing that a respondent had violated a contract or tariff and that the violation had

a direct connection to the rate charged under the applicable contract; or ii) a showing that the contract rate at issue imposed an excessive burden or seriously harmed the public interest.

On April 5, 2013, the FERC granted rehearing of its Order on Remand on the issue of the appropriate refund period, holding that parties could pursue refunds for transactions between January 1, 2000 and December 24, 2000 under Section 309 of the Federal Power Act by showing violations of a filed tariff or rate schedule or of a statutory requirement. Refund claimants have filed petitions for appeal of the Order on Remand and the Order on Rehearing with the Ninth Circuit.

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

Additionally, the settlement between PGE and certain other parties in the California refund case in Docket No. EL00-95, et seq., approved by the FERC in May 2007, resolved all claims between PGE and the California parties named in the settlement, including 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 for 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 CERS' respondents, but did find evidence of unlawful activity in the implementation of multiple transactions and bad faith in the formation of as many as 119 contracts by the last remaining CERS respondent. The Administrative Law Judge scheduled a second phase of the hearing to commence after a final FERC decision on the Initial Decision. In the second phase, the last 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. 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 expected to issue in 2015 or 2016.

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

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

DEQ Investigation of Downtown Reach

The Oregon Department of Environmental Quality (DEQ) has executed a memorandum of understanding with the EPA to administer and enforce clean-up activities for portions of the Willamette River that are upriver from the Portland Harbor Superfund site (the Downtown Reach). In January 2010, the DEQ issued an order requiring PGE to perform an investigation of certain portions of the Downtown Reach. PGE completed this investigation in December 2011 and entered into a consent order with the DEQ in July 2012 to conduct a feasibility study of alternatives for remedial action for the portions of the Downtown Reach that were included within the scope of PGE's investigation. The draft feasibility study report, which describes possible remediation alternatives that range in estimated cost from \$3 million to \$8 million, was submitted to the DEQ in late February 2014. Using the Company's best estimate of the probable cost for the remediation effort from the set of alternatives provided in the draft feasibility study report, PGE has a \$3 million reserve for this matter as of March 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 March 31, 2014. The Company included recovery of the regulatory asset in its 2015 General Rate Case filed with the OPUC in February 2014.

Alleged Violation of Environmental Regulations at Colstrip

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

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

On March 6, 2013, the Sierra Club and MEIC sued the CSES co-owners, including PGE, for these and additional alleged violations of various environmental related regulations. The plaintiffs are seeking relief that includes an injunction preventing the co-owners from operating CSES except in accordance with the CAA, the Montana State Implementation Plan, and the plant's federally enforceable air quality permits. In addition, plaintiffs are seeking civil penalties against the co-owners including \$32,500 per day for each violation occurring through January 12, 2009, and \$37,500 per day for each violation occurring thereafter.

On May 3, 2013, the defendants filed a motion to dismiss 36 of the 39 claims in the suit. On September 27, 2013, the plaintiffs filed an amended complaint that deleted the Title V and opacity claims, added claims associated with two 2011 projects, and expanded the scope of certain claims to encompass approximately 40 additional projects. This matter is scheduled for trial in March 2015. On March 1, 2014, the plaintiffs filed another Notice of Intent to Sue, which would amend the original suit by adding twelve projects to the case.

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

Challenge to AOC Related to Colstrip Wastewater Facilities

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

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

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

Oregon Tax Court Ruling

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

If the ruling is upheld, PGE estimates that its income tax liability could increase by as much as \$7 million due to an increase in the tax rate at which deferred tax liabilities would be recognized in future years. For open tax years per Oregon statute, 2008 through 2012, the Company entered into a closing agreement with the DOR during the third quarter 2013 under which the DOR agreed to the tax apportionment methodology utilized on the tax returns relating to those years.

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 of this matter.

Other Matters

PGE is subject to other regulatory, environmental, and legal proceedings, investigations, and claims that arise from time to time in the ordinary course of business, which may result in judgments against the Company. Although management currently believes that resolution of such matters, 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
Three Months Ended
March 31, 2014
(In Millions)

	Three Months Ended March 31, 2014	Adjustments	Adjusted Total
Revenues	\$493		\$493
Operating Expenses:			
Purchased power and fuel	184		184
Production and distribution	54		54
Administrative and other	54		54
Depreciation and amortization	75		75
Taxes other than income taxes	28		28
Total operating expenses	<u>395</u>		<u>395</u>
Income from Operations	98	-	98
Other Income:			
Allowance for equity funds used during construction	6		6
Miscellaneous income, net	<u>(1)</u>		<u>(1)</u>
Other Income, net	5	-	5
Interest Expense	<u>25</u>		<u>25</u>
Income before income taxes	78	-	78
Income Taxes	<u>20</u>		<u>20</u>
Net Income	58	-	58
Less: net loss attributable to noncontrolling interests	-		-
Net Income attributable to Portland General Electric Company	<u>\$58</u>	<u>\$ -</u>	<u>\$58</u>

Portland General Electric Company and Subsidiaries
Consolidated Statement of Retained Earnings
Three Months Ended
March 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	58		58
	971		971
Dividends Declared			
Common stock	(22)		(22)
Balance at End of Period, March 31, 2014	<u>\$949</u>	<u>\$0</u>	<u>\$949</u>

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

PORTLAND GENERAL ELECTRIC COMPANY
PROPOSED JOURNAL ENTRIES

The following entries are to record the sale of Property located at 503 SE 29th Avenue, Portland, Oregon 97214, D11-1/1

	Land	Total
Selling Price	365,000	365,000
Original Cost	1,711	1,711
Selling Expenses	28,000	28,000
Gain(Loss) Realized	335,289	335,289

Account	Description	Debit	Credit
	[1]		
131	Cash	365,000	
186	Misc Deferred Debits (Legal, Appraisal, Environmental Expense)	28,000	
186	Misc Deferred Debits	1,711	
186	Misc Deferred Debits (Land RWIP)		365,000
101	Electric Plant-in-Service		1,711
131	Cash - Appraisal/Labor expenses		28,000
	To record costs and retire property located at D11-1/1		
	[2]		
186	RWIP	335,289	
421.6	Gain on disposition of property		335,289
	To record the gain on the sale of property located at D11-1/1		
	[3]		
407.3	Deferral of property transfer gain	335,289	
254	Deferred gain on property sale		335,289
	To record the deferred gain associated with the sale of property located at D11/1-1		

Cost and Description of Property

Accounting History for Property Located at 503 SE 29th Avenue, Portland, Oregon 97214, D11-1/1

<u>Purchase Year</u>	<u>Audit</u>	<u>FERC 360 - Land Description</u>
1945	9365	1,711 Purchase property for utility use - Lone Fir substation

Total 1,711 Bookcost