



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

July 31, 2014

Via E-Filing / US mail

Oregon Public Utility Commission
3930 Fairview Industrial Dr. SE
Salem, Oregon 97302-1166

Attention: **Commission Filing Center**

Re: **UP-__ Application for Order Authorizing Participation in the Spare Transformer Equipment Program**

Enclosed are the original signed Application and five copies requesting an order authorizing Portland General Electric's participation in the Spare Transformer Equipment Program.

PGE has E-filed a copy on this date to the Filing Center.

If you have any questions or require further information, please call me at (503) 464-7580 or Spenser Williams at (503) 464-7490. 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", is written over a faint, larger version of the same signature.

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 |
| for an Order Authorizing Participation in the Spare |) | |
| Transformer Equipment Program. |) | |

Pursuant to ORS 757.485 and OAR 860-027-0025, Portland General Electric Company ("PGE") seeks approval from the Oregon Public Utility Commission ("Commission") to participate in the Edison Electric Institute's (EEI) Spare Transformer Equipment Program (STEP), which would allow for the sharing of spare transformers with member utilities in the event of an act of terrorism.

Background

On July 18, 2006, EEI, on behalf of the then participating utilities, filed an application with the Federal Energy Regulatory Commission (FERC) to gain authorization for jurisdictional public utilities to engage in the future transfers of transformers pursuant to a sharing agreement. Attachment A to this filing provides a copy of the Spare Transformer Sharing Agreement ("Agreement"). On September 22, 2006, FERC approved the request and noted:

Without the Agreement, utilities would have to purchase substantially more transformers to achieve the same recovery capability incurring substantially higher costs, or experience the inherent time delay associated with find, negotiating for, ordering, transporting, and testing a replacement transformer. Furthermore, the Agreement establishes the obligation to share spare transformers with Participating Utilities if there is a Triggering Event. Accordingly, we find that the sharing arrangement in the Agreement is prudent.

EEI's STEP was the result of FERC's approval. STEP is an electric industry program that strengthens the sector's ability to restore the nation's transmission system more quickly in the event of a terrorist attack. STEP represents a coordinated approach to increasing the electric power industry's inventory of spare transformers and streamlining the process of transferring those transformers to affected utilities in the event of a transmission outage caused by a terrorist attack.

Under the program, each participating electric utility is required to maintain and, if necessary, acquire a specific number of spare transformers. STEP requires each participating utility to sell its spare transformers if requested to any other participating utility that suffers a "triggering event", which is defined in section 1.1 of the sharing agreement as:

An act or coordinated acts of deliberate, documented terrorism, as defined in the Homeland Security Act of 2002, 6 U.S.C. 101(15), as the same may be amended from time to time, resulting in (1) the destruction or long-term disabling of one or more electric transmission substations, and (2) the declaration of a state of emergency by the President of the United States pursuant to the National Emergencies Act, 50 U.S.C. 1601 et seq., as the same may be amended from time to time.

The STEP sharing agreement, which was negotiated among more than 50 utilities through a multi-year, industry-wide consensus building process, provides each participating utility with legally-enforceable rights to access readily-available spare transformer capacity that has been committed to STEP. Should a triggering event occur, affected participating utilities are entitled to exercise call rights to acquire any of the spare transformers committed under STEP in the relevant voltage class. Unlike a voluntary mutual assistance program, these call rights are self-executing and are legally enforceable through rights to seek specific performance.

On July 28, 2014, PGE entered into the Agreement with other participating utility companies across the United States. PGE will not become a full participating member of STEP until PGE can demonstrate receipt of all required state regulatory approvals.

PGE has evaluated the risk of having to sell a spare transformer to another STEP participating utility and believes that the combination of committing existing spare transformers and the low probability of a triggering event occurrence result in an acceptable risk. While PGE takes steps to maintain the safety and security of its substations, it does not believe it is reasonable or economically feasible to acquire a spare transformer inventory large enough to allow full system restoration following a worst case scenario terrorist attack. Furthermore, PGE customers will benefit from the increased access to available spare transformers in the event that PGE experiences a triggering event without the added costs of significant increases in its spare transformer inventory.

As more fully explained below, this transaction will not affect PGE's ability to perform its public duties.

I. 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 business in the states of Oregon, Idaho, Montana, Utah, Washington and in as of February 21, 1995, is also registered as an extra-provincial corporation in Alberta, Canada, but conducts retail utility operations only in the state of Oregon.
- (c) *Name and address of the person on behalf of applicant authorized to receive notices and communications in respect to the applications:*

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

Donald J. Light
Assistant General Counsel
Portland General Electric Company
121 SW Salmon Street, 1WTC-1301
Portland, OR 97204
(503) 464-8315 (telephone)
(503) 464-2200 (fax)
donald.light@pgn.com

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

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

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

As of June 30, 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, Human Resources, Diversity Inclusion and Administration |
| O. Bruce Carpenter ¹ | Vice President, Distribution |
| Carol A. Dillin | Vice President, Customer Strategies and Business Development |
| J. Jeffrey Dudley | Vice President, General Counsel, Corporate Compliance Officer and Assistant Secretary |

¹ O. Bruce Carpenter retired July 7, 2014

| | |
|-----------------------|--|
| 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 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 June 30, 2014, the date of PGE's reporting in the most recent (10-Q):

| | <u>Outstanding Shares</u> | <u>Amount (\$000s)</u> |
|--|-------------------------------|----------------------------|
| Common Stock: * | | |
| No Par Value | 78,202,241 | \$914,070 |
| (160,000,000 shares authorized) | | |
| * Company Directors hold 173,891 shares. | | |

None of the outstanding shares of common stock referenced above are held as reacquired securities of have been pledged by the Applicant. Vanguard Group, Inc. held 6.93% of the outstanding PGE common stock and Black Rock Fund Advisors held 5.69% as reported in a March 31, 2014 SEC Form 13F filing. 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 June 30, 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 | <u>150,000</u> | <u>150,000</u> |
| 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 | (21,000) | (21,000) |
| ⁽²⁾ This debt instrument, purchased by the Company in 2008, is currently held for possible remarketing | <u>(5,800)</u> | <u>(5,800)</u> |
| Total Pollution Control Bonds outstanding | <u>121,400</u> | <u>121,400</u> |
| Other Long Term Debt: | | |
| Term Loans | | |
| May 12, 2014, due October 30, 2015 | 75,000 | 75,000 |
| June 2, 2014, due October 30, 2015 | 75,000 | 75,000 |
| June 30, 2014, due October 30, 2015 | 75,000 | 75,000 |
| Long-Term Contracts | 93 | 93 |
| Unamortized Debt Discount and Other | (742) | (742) |
| Total Other Long-Term Debt | <u>224,351</u> | <u>224,351</u> |
| Total Long-Term Debt | <u>2,140,751</u> | <u>2,140,751</u> |
| Total Classified as Short-Term | - | - |
| Net Long Term Debt | <u>2,140,751</u> | <u>2,140,751</u> |

None of the long-term debt is pledged or held as reacquired securities, by affiliated corporations, 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:* PGE will participate in STEP as a way to increase resources for responding to terrorist attacks. PGE will be able to receive spare transformers from other participating utilities and send transformers to participating affected utilities in such circumstances. Transformers will typically be priced according to replacement costs, which include costs of acquiring a replacement transformer, delivery transportation cost, tax liabilities and other costs. Costs of transformers can exceed \$1.8 million.

(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:* Based on preliminary information provided by EEI, PGE believes that its obligation under the sharing agreement will be one spare transformer. The transformer is rated 240/120 kV and 192/256/320 MVA. This obligation is subject to adjustment as determined by the commitment formula in the sharing agreement. PGE has determined that it will meet the obligation by committing existing available spare transformers that are already maintained by PGE for potential use. The commitment of the transformer does not prohibit PGE from utilizing the equipment for its own needs so long as the spare transformers are replaced within 18 months. PGE will only transfer spare transformer

equipment if called upon by another participating utility if that utility experiences loss or disablement of a transmission substation due to an act of terrorism and cannot reinstate such substation with its own resources.

(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:* Because the possible transfer and sale of transformers is executory, appropriate bookkeeping entries will be made at the time of any future transfer and sale of transformers. The allowable purchase price for transformer(s) transferred to a utility experience a triggering event is defined in the sharing agreement. STEP charges an initiation fee to join the program and an annual fee. PGE would pay an initiation fee of approximately \$10,000, and annual fee of approximately \$7,500, to participate in the transformer exchange program. At this time, PGE does not seek approval of any ratemaking treatment for the sharing agreement fees and any new inventory required by the terms of the agreement.

(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:* Not applicable.

(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 proposed transaction

will not harm customers. PGE will only be committing one spare transformer to STEP and will only be required to provide the spare transformer in limited circumstances. PGE inventory needed to respond to its own maintenance and outage response requirements will not be compromised. Additionally, PGE will benefit by being able to draw upon other utilities' resources in the event of a terrorist attack.

(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 the Background Section and paragraphs h) and l) above.*

(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: None.*

(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.*

II. 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 are related to this application).

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 June 30, 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 the date of the application, as of June 30, 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 June 30, 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 June 30, 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: Attachment A included in this filing provides a copy of the Spare Transformer Sharing Agreement.

EXHIBIT J. *A copy of each proposed journal entry to be used to record the transaction upon each applicant's books: Because the possible transfer and sale of transformers is executory, appropriate bookkeeping entries will be made at the time of any future transfer and sale of transformers.*

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: This Application and attachments contain the necessary information to demonstrate the benefits of this transaction and for the Commission to base its decision. However, PGE is prepared to provide additional information as requested by the Commission.*

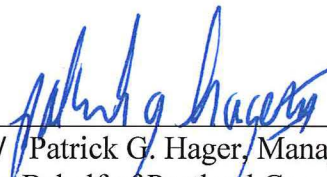
III. Prayer for Relief

PGE respectfully requests a Commission order:

- (a) finding that PGE's participation in the Spare Transformer Equipment Program will not harm PGE's customers and is consistent with the public interest; and
- (b) granting other such relief as the Commission deems necessary and proper.

Dated this 31st day of July, 2014.

Respectfully Submitted,



/s/ Patrick G. Hager, Manager, Regulatory Affairs
On Behalf of Portland General Electric Company
121 SW Salmon Street, 1WTC-0702
Portland, Oregon 97204
Phone: (503) 464-7580
E-Mail: Patrick.Hager@pgn.com
Facsimile: (503) 464-7651

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UP XXX

Attachment -A

Provided in Electronic Format only

Spare Transformer Sharing Agreement

Exhibit "E"
UP

Portland General Electric Company and Subsidiaries
Consolidated Balance Sheet
June 30, 2014
(In Millions)

| | <u>June 30, 2014</u> | <u>Adjustments ⁽¹⁾</u> | <u>Adjusted Total</u> |
|--|----------------------|-----------------------------------|---------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 97 | | \$ 97 |
| Accounts receivable, net | 121 | | 121 |
| Unbilled revenues | 74 | | 74 |
| Inventories | 85 | | 85 |
| Regulatory assets - current | 38 | | 38 |
| Other current assets | 98 | | 98 |
| Total current assets | <u>513</u> | <u>-</u> | <u>513</u> |
| Electric utility plant | 7,213 | | 7,213 |
| Construction work in progress | 926 | | 926 |
| Total cost | 8,139 | | 8,139 |
| Less: accumulated depreciation and amortization | <u>(2,815)</u> | | <u>(2,815)</u> |
| Electric utility plant, net | <u>5,324</u> | | <u>5,324</u> |
| Regulatory assets - noncurrent | 399 | | 399 |
| Nuclear decommissioning trust | 83 | | 83 |
| Non-qualified benefit plan trust | 33 | | 33 |
| Other noncurrent assets | 47 | | 47 |
| Total assets | <u>\$ 6,399</u> | <u>\$ -</u> | <u>\$ 6,399</u> |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Accounts payable | \$ 181 | | \$ 181 |
| Short-term debt | - | | - |
| Liabilities from price risk management activities - current | 32 | | 32 |
| Current portion of long-term debt | 70 | | 70 |
| Accrued expenses and other current liabilities | 174 | | 174 |
| Total current liabilities | <u>457</u> | <u>-</u> | <u>457</u> |
| Long-term debt, net of current portion | 2,071 | | 2,071 |
| Regulatory liabilities - noncurrent | 913 | | 913 |
| Deferred income taxes | 613 | | 613 |
| Unfunded status of pension and postretirement plans | 160 | | 160 |
| Non-qualified benefit plan liabilities | 101 | | 101 |
| Asset retirement obligations | 105 | | 105 |
| Liabilities from price risk management activities - noncurrent | 83 | | 83 |
| Other noncurrent liabilities | 24 | | 24 |
| Total liabilities | <u>\$ 4,527</u> | <u>\$ -</u> | <u>\$ 4,527</u> |
| Commitments and contingencies (see notes) | - | | - |
| Equity | | | |
| Portland General Electric Company shareholders' equity | | | |
| Preferred stock | - | | - |
| Common stock | 914 | | 914 |
| Accumulated other comprehensive loss | (5) | | (5) |
| Retained earnings | 962 | | 962 |
| Total Portland General Electric Company shareholders' equity | <u>1,871</u> | <u>-</u> | <u>1,871</u> |
| Noncontrolling interests' equity | 1 | | 1 |
| Total Equity | <u>1,872</u> | <u>-</u> | <u>1,872</u> |
| Total liabilities and equity | <u>\$ 6,399</u> | <u>\$ -</u> | <u>\$ 6,399</u> |

⁽¹⁾ Reflects journal entries in Exhibit "J"

Exhibit "F"
Statement of Contingent Liabilities
As of June 30, 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 not expected to issue before 2017.

The draft FS evaluates several alternative clean-up approaches. These approaches would take from two to 28 years with costs ranging from \$169 million to \$1.8 billion, depending on the selected remedial action levels and the choice of remedy. The draft FS does not address responsibility for the costs of clean-up, allocate such

costs among PRPs, or define precise boundaries for the clean-up. Responsibility for funding and implementing the EPA's selected clean-up will be determined after the issuance of the Record of Decision.

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

DEQ Investigation of Downtown Reach

The Oregon Department of Environmental Quality (DEQ) has executed a memorandum of understanding with the EPA to administer and enforce clean-up activities for portions of the Willamette River that are upriver from the Portland Harbor Superfund site (the Downtown Reach). In January 2010, the DEQ issued an order requiring PGE to perform an investigation of certain portions of the Downtown Reach. PGE completed this investigation in December 2011 and entered into a consent order with the DEQ in July 2012 to conduct a feasibility study of alternatives for remedial action for the portions of the Downtown Reach that were included within the scope of PGE's investigation. The draft feasibility study report, which describes possible remediation alternatives that range in estimated cost from \$3 million to \$8 million, was submitted to the DEQ in February 2014. 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 June 30, 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 June 30, 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.

In September 2013, the plaintiffs filed an amended complaint that withdrew Title V and opacity claims, added claims associated with two 2011 projects, and expanded the scope of certain claims to encompass approximately forty additional projects. The CSES co-owners have filed a motion to dismiss all of the claims in the amended complaint. In April 2014, the parties entered into an agreement under which, following the court's decision on the motion to dismiss, plaintiffs will move to amend the complaint to limit the scope of the claims to thirteen projects. On May 22, 2014, the federal magistrate judge issued a recommendation to deny most of the motion to dismiss. The parties are awaiting a final decision on the motion to dismiss. This matter is scheduled for trial in June 2015.

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

Challenge to AOC Related to Colstrip Wastewater Facilities

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

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

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

Oregon Tax Court Ruling

On September 17, 2012, the Oregon Tax Court issued a ruling contrary to an Oregon Department of Revenue (DOR) interpretation and a current Oregon administrative rule, regarding the treatment of wholesale electricity sales. The underlying issue is whether electricity should be treated as tangible or intangible property for state income tax apportionment purposes. The DOR has appealed the ruling of the Oregon Tax Court to the Oregon Supreme Court. It is uncertain whether the ruling will be upheld. Oral argument occurred in May 2014 and the parties now await a Court decision.

If the ruling is upheld, PGE estimates that its income tax liability could increase by as much as \$7 million due to an increase in the tax rate at which deferred tax liabilities would be recognized in future years. 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.

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.

Exhibit "G"
UP__

Portland General Electric Company and Subsidiaries
Consolidated Statement of Income
Six Months Ended
June 30, 2014
(In Millions)

| | Six Months Ended June 30, 2014 | <u>Adjustments</u> | <u>Adjusted Total</u> |
|---|-----------------------------------|--------------------|-----------------------|
| Revenues | \$916 | | \$916 |
| Operating Expenses: | | | |
| Purchased power and fuel | 326 | | 326 |
| Production and distribution | 121 | | 121 |
| Administrative and other | 110 | | 110 |
| Depreciation and amortization | 148 | | 148 |
| Taxes other than income taxes | 55 | | 55 |
| Total operating expenses | <u>760</u> | | <u>760</u> |
| Income from Operations | 156 | - | 156 |
| Other Income: | | | |
| Allowance for equity funds used during construction | 15 | | 15 |
| Miscellaneous income, net | - | | - |
| Other Income, net | <u>15</u> | - | <u>15</u> |
| Interest Expense | <u>48</u> | | <u>48</u> |
| Income before income taxes | 123 | - | 123 |
| Income Taxes | <u>30</u> | | <u>30</u> |
| Net Income | 93 | - | 93 |
| Less: net loss attributable to noncontrolling interests | - | | - |
| Net Income attributable to Portland General Electric Company | <u>\$93</u> | <u>\$ -</u> | <u>\$93</u> |

Exhibit "H"
UP__

Portland General Electric Company and Subsidiaries
Consolidated Statement of Retained Earnings
Six Months Ended
June 30, 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 | 93 | | 93 |
| | <u>1,006</u> | | <u>1,006</u> |
| Dividends Declared | | | |
| Common stock | <u>(44)</u> | | <u>(44)</u> |
| Balance at End of Period, June 30, 2014 | <u>\$962</u> | <u>\$0</u> | <u>\$962</u> |

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