



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

March 2, 2006

via E-Filing and US Mail

Filing Center
Public Utility Commission of Oregon
550 Capitol St. NE, No. 215
Salem, OR 97308-2148

**Re: UP-206 Supplemental Application for approval to
sell St. Helens District Office property in the County of Columbia**

Enclosed is the original signed Supplemental Application for approval to sell or lease property in the City of St. Helens, County of Columbia.

PGE received Commission approval to sell the property on October 21, 2003. Subsequent to Commission approval, the original buyer, Western Property Investments, LLC, declined to purchase the property. The attached Supplemental Application requests approval to sell the property to a new buyer, Wayne Weigandt.

PGE provided an E-filed copy this date. PGE will provide a hard copy of the OPUC E-tracking ID (if available) with this filing.

We ask that this Application be placed on the docket for consideration at the Commission's April 11, 2006 meeting, or as soon thereafter as possible.

If you have any questions or require further information, please call me at (503) 464-7580 or Jay Tinker at (503) 464-7002. Please direct all formal correspondence, questions, or requests to the following e-mail address pge.opuc.filings@pgn.com.

Sincerely,

/ S /
Patrick G. Hager
Manager, Regulatory Affairs

PGH/bmm
Enclosure

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UP-206

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

Pursuant to ORS 757.480 and OAR 860-27-0025, Portland General Electric Company ("PGE") seeks approval from the Oregon Public Utility Commission ("Commission") for the sale of certain PGE property no longer useful or necessary for providing utility service to the public, and to supplement an Order previously provided by the OPUC.

History

The property is located at 1771 Columbia Blvd., in the City of St. Helens, Oregon, County of Columbia, Oregon. The property is known as the St. Helen's District Office and improved with an existing office building with shop area, and an adjacent garage/storage area, (the "Property"). PGE filed an application for sale of the Property on September 13, 2003, which was docketed as UP-206 and approved by the Commission on October 21, 2003 (OPUC Order No. 03-621). Subsequent to Commission approval, the original buyer, Western Property Investments, LLC. ("Western"), chose not to close the sale when it was discovered that there would be considerable time and expense involved in clearing underground tanks from the site.

In early 2004, after Western declined to purchase the Property, PGE engaged in the necessary cleanup and removal of the underground oil tanks. Those cleanup costs were approximately \$180,000. PGE received a "no further action" letter from the Department of

Environmental Quality in 2005. PGE obtained an updated appraisal in 2005 that yielded a value of \$440,000. A summary of the appraisal is included at Exhibit "T", pages 11 and 12.

PGE asks Commission approval of a new sale agreement between PGE and Wayne Weigandt, ("Buyer"), for the purchase of the Property. The Commercial Real Estate And Sale Agreement ("Sale Agreement") provides for Buyer to purchase the 1.06 acres of land and buildings for a purchase price of \$420,000, due and payable at closing. An earnest money deposit of \$2,500 was due and payable thirty days after execution of the Sale Agreement, Supplemental Exhibit "T", and will be disbursed upon closing.

PGE believes this new offer of \$420,000 for the Property is reasonable. There is substantial work required to repair leaky roofs and ceiling tile damage to the improvements. The 2005 appraisal recommends that the attached garage be demolished in order to get the highest and best use available of the land. The cost of such demolition will be borne by the Buyer. In addition, because the Property is located in an area that has slow and limited development, PGE believes it could potentially take 12 to 18 months to locate another buyer. The Buyer has agreed to take the Property in its present condition, without any representation or warranty, and with the understanding there could be substantial cost to make major repairs to the Property or demolish existing structures.

As shown in Supplemental Exhibit J to this supplemental application, PGE expects to record a gain on the sale, after all expenses, of approximately \$139,000. PGE intends to defer this gain for later refund to customers. The book value of the Property was ascertained from PGE's accounting records.

The Property continues to be, as the Commission found in Order No. 03-621, not needed for utility purposes and is not necessary or useful in the performance of PGE's duties

to the public. Therefore, to allow for a change to the purchase price, PGE is requesting a supplemental order.

1) In this docket, as required by Staff Recommendation No. 3, adopted by the Commission in Order 03-621, to assist the Commission, we provide current representations pursuant to the requirements of OAR 860-027-0025, as follows:

- a) PGE's name and address are Portland General Electric Company, 121 SW Salmon Street, Portland, Oregon 97204.
- b) PGE is a corporation organized and existing under and by the laws of the State of Oregon, and the date of its incorporation is July 25, 1930. PGE is authorized to transact business in the states of Oregon, Washington, California, Arizona and Montana, and in the District of Columbia, but conducts retail utility business only in the State of Oregon. As of February 21, 1995, PGE is also registered as an extra provincial corporation in Alberta, Canada.
- c) The names and addresses of the persons authorized to receive notices and communications in respect of this Application are:

PGE-OPUC Filings
Rates & Regulatory Affairs
Portland General Electric Company
121 SW Salmon Street, 1WTC0702
Portland, OR 97204
(503) 464-7857 (telephone)
(503) 464-7651 (telecopier)
pge.opuc.filings@pgn.com

J. Richard George
Assistant General Counsel
Portland General Electric Company
121 SW Salmon Street, 1 WTC1301
Portland, OR 97204
(503) 464-7611 (telephone)
(503) 464-2200 (telecopier)
Richard.George@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

Jay Tinker, Project Manager
E-Mail: Jay.Tinker@pgn.com

d) *The names and titles of its principal officers as of December 31, 2005 are as follows:*

<u>NAME</u>	<u>TITLE</u>
Peggy Y. Fowler	Chief Executive Officer & President
James J. Piro	Executive Vice President, Finance, Chief Financial Officer & Treasurer
Arleen Barnett	Vice President, Administration
Carol A. Dillin	Vice President, Public Policy
Stephen R. Hawke	Vice President, Customer Service & Delivery
Ronald W. Johnson	Vice President, Customers and Economic Development
Pamela G. Lesh	Vice President, Regulatory Affairs & Strategic Planning
James F. Lobdell	Vice President, Power Operations & Resource Planning
Joe A. McArthur	Vice President, Distribution
Douglas R. Nichols	Vice President, General Counsel & Secretary
Stephen M. Quennoz	Vice President, Nuclear & Power Supply / Generation
Kirk M. Stevens	Controller and Assistant Treasurer
Kristin A. Stathis	Assistant Treasurer
Cheryl A. Chevis	Assistant Secretary
Steven F. McCarrel	Assistant Secretary
Campbell A. Henderson	Chief Information Officer

- e) PGE is 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) *The capital stock as of September 30, 2005, is as follows:*

	<u>Shares</u>	<u>Outstanding</u> <u>Amount (\$000s)</u>
Cumulative Preferred Stock *:		
No Par Value – 7.75 Series (30,000,000 shares authorized):	174,727	\$17,472
\$1 Par Value Limited voting Jr.	1	-
Total Preferred Stock	204,728	20,473
<i>Common Stock:</i>		
\$3.75 Par Value (100,000,000 shares authorized):	<u>42,758,877</u>	<u>\$160,346</u>

None of the capital stock is held as reacquired securities, pledged, held by affiliated corporations, or held in any fund, except as noted above.

- g) *The long-term debt of the balance sheet: September 30, 2005*

<u>Description</u>	<u>Authorized</u> <u>(\$000s)</u>	<u>Outstanding</u> <u>(\$000s)</u>
First Mortgage Bonds:		
MTN Series IV due June 15, 2007 7.15%	50,000	50,000
MTN Series due August 11, 2021 9.31%	20,000	20,000
8- 1/8 Series due April 15, 2010	150,000	150,000
5.6675% Series due October 25, 2012	100,000	100,000
5.279% Series due 4/01/2013	50,000	50,000
5.625% Series VI due 08/01/2013	50,000	50,000
6.75% Series VI due 08-01-2023	50,000	50,000
6.875% Series VI due 08-01-2033	<u>50,000</u>	<u>50,000</u>
Total First Mortgage Bonds	\$520,000	\$520,000

Pollution Control Bonds:

Port of Morrow, Oregon, Fixed & Variable Rate:		
Due May 1, 2033, 5.20%	\$ 23,600	\$ 23,600
City of Forsyth, Montana, Fixed Rate:		
Due May 1, 2033, 5.20%	97,800	97,800
Due May 1, 2033, 5.45%	21,000	21,000
Port of St. Helens, Oregon, Fixed Rate:		
Due April 1, 2010, 4.80%	20,200	20,200
Due June 1, 2010, 4.80%	16,700	16,700
Due August 1, 2014, 5.25%	9,600	9,600
Due December 15, 2014, 7.125%	<u>5,100</u>	<u>5,100</u>
Total Pollution Control Bonds	\$194,000	\$194,000

Other Long-Term Debt:

7.875% Notes due 2010	149,250	149,250
Capital Lease Obligations	155	155
6.91% Conservation Bonds	11,661	12,522
Unamortized Debt Discount and Other	<u>(1,255)</u>	<u>(1,271)</u>
Total Other Long-Term Debt	\$159,811	\$160,656
Less Maturities and Sinking Funds Included in Current Liabilities	<u>(10,733)</u>	<u>(7328)</u>
Total Long-Term Debt	<u>\$863,038</u>	<u>\$867,328</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:*

This application is for approval of the sale of property at 1771 Columbia Blvd., lots 1, 2, 3, 4, 19, 20, 21, and 22, Block 145, City of St. Helens, County of Columbia, Oregon. The parcels consist of approximately 1.06 acres of land and buildings (see Supplemental Exhibit I).

For valuation purposes, an independent MAI appraiser inspected the Property and researched general market conditions. The 2005 appraisal of the Property yielded a value of \$440,000, based on the assumption that the office building was in average condition and after demolition of the adjacent garage. A copy of the appraisal summary is included in Supplemental Exhibit "I", at pages 11 and 12. The Sale Agreement provides for Buyer to purchase the land and buildings for a total purchase price of \$420,000. Since the Buyer has agreed to purchase the property "as is", the \$20,000 discount to the appraised value is appropriate.

The book value of the Property was ascertained from 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:* The subject Property consists of approximately 1.06 acres of land and buildings. A description for the property is provided in Supplemental Exhibit I, (includes an appraisal summary at Pages 11-12).

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, and a statement indicating where all existing data and records may be found:* Provided as Supplemental 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 other application with respect to the sale of the Property is required to be filed with any federal or 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 property is surplus to PGE's needs and not necessary for serving PGE's duty to the public. PGE previously received Commission approval to sell the property on October 21, 2003, OPUC Order No. 03-621.

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:* Not applicable. See paragraphs i) 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:* Not applicable.

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

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

Exhibit A Articles of Incorporation, as amended. (Previously filed in Docket UP-79 and by reference made a part of this application.)

- Exhibit B Bylaws, as amended. (Previously filed in Docket UP-151 and restated in Docket UF-4206, and by reference made a part of this application.)
- Exhibit C Not Applicable.
- Exhibit D None.
- Exhibit E Balance sheet showing booked amounts, adjustments to record the proposed transactions and pro forma Balance sheets as of September 30, 2005. [electronics in .PDF format]
- Exhibit F Statement of contingent liabilities as of September 30, 2005. [electronics in .PDF format]
- Exhibit G Income statement for the 3-month period ended September 30, 2005. [electronics in .PDF format]
- Exhibit H Analysis of retained earnings for the 3-month period September 30, 2005. [electronics in .PDF format]
- Exhibit I Documents supporting the Transaction: Commercial Real Estate Sale Agreement. [electronics in .PDF and Microsoft Word format]
- Exhibit J Proposed journal entries. [electronics in .PDF format]
- Exhibit K Worksheets and Supporting Documentation. Not applicable.

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Exhibit L Statement by primary account of the Cost of the Facility and
Description of the Property. [electronics in .PDF format]

Dated this 3rd day of March, 2006.

Respectfully Submitted,

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

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Portland General Electric Company and Subsidiaries

Consolidated Balance Sheets

(Unaudited)

Adjusted

	Sept. 30 2005	Adjustments (in Millions)	Adjusted Total
	except per share amounts		
Assets			
Electric Utility Plant - Original Cost			
Utility plant (includes construction work in progress of \$165 and \$114)	4,167	0.33288 ¹	4,167
Accumulated depreciation	(1,774)	(0.16085)	(1,774)
	<u>2,393</u>	<u>0.17202</u>	<u>2,393</u>
Other Property and Investments			
Nuclear decommissioning trust, at market value	27		27
Non-qualified benefit plan trust	70		70
Miscellaneous	33		33
	<u>130</u>		<u>130</u>
Current Assets			
Cash and cash equivalents	225	0.31115 ¹	225
Accounts and notes receivable			-
(less allowance for uncollectible accounts of \$51 and \$50)	204		204
Unbilled revenues	51		51
Assets from price risk management activities	449		449
Inventories, at average cost	49		49
Prepayments and other	116		116
	<u>1,094</u>	<u>0.31115</u>	<u>1,094</u>
Deferred Charges			
Regulatory assets	238		238
Miscellaneous	23		23
	<u>261</u>	-	<u>261</u>
	<u>3,878</u>	<u>0.13913</u>	<u>3,878</u>
Capitalization and Liabilities			
Capitalization			
Common stock equity			
Common stock, \$3.75 par value per share, 100,000,000			
shares authorized; 42,758,877 shares outstanding	160		160
Other paid-in capital - net	482		482
Retained earnings	560		560
Accumulated other comprehensive income (loss):			0
Unrealized gain (loss) on derivatives classified as cash flow hedges	7		7
Minimum pension liability adjustment	(3)		(3)
Limited voting junior preferred stock	0		0
Long-term obligations	881		881
	<u>2087</u>		<u>2,087</u>
Commitments and Contingencies (see notes)			
Current Liabilities			
Long-term debt due within one year	12		12
Accounts payable and other accruals	203		203
Liabilities from price risk management activities	182		182
Customer deposits	150		150
Accrued interest	14		14
Accrued taxes	45		45
Deferred income taxes	106		106
	<u>712</u>		<u>712</u>
Other			
Deferred income taxes	205		205
Deferred investment tax credits	11		11
Trojan asset retirement obligation	106		106
Accumulated asset retirement obligation	17		17
Regulatory Liabilities		0.13913 ¹	0
Accumulated asset retirement removal costs	340		340
Other	279		279
Non-qualified benefit plan liabilities	79		79
Miscellaneous	42		42
	<u>1079</u>	<u>0.13913</u>	<u>1079</u>
	<u>3,878</u>	<u>0.13913</u>	<u>3,878</u>

¹: Reflects the Journal Entries from Exhibit J

Portland General Electric Company and Subsidiaries
Consolidated Statement of Income
(Unaudited)

For the Nine Months Ended September 30, 2005
(Millions of Dollars)

	Sept. 30, 2005	Adjustments	Adjusted Total
Operating Revenues	1,059		1,059
Operating Expenses			
Purchased power and fuel	439		439
Production and distribution	92		92
Administrative and other	127		127
Depreciation and amortization	175		175
Taxes other than income taxes	56		56
Income taxes	49		49
	<u>938</u>		<u>938</u>
Net Operating Income	<u>121</u>		<u>121</u>
Other Income (Deductions)			
Miscellaneous	1		1
Income taxes	3		3
	<u>4</u>		<u>4</u>
Interest Charges			
Interest on long-term debt and other	52		52
	<u>52</u>		<u>52</u>
Net Income	<u>73</u>		<u>73</u>

The accompanying notes are an integral part of these consolidated

Note: As per Order 01-1777 (UE-115), gains/losses from property sales are assigned to a balancing account for later refund/collection from customers. There is no impact on the income statement.

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Portland General Electric Company and Subsidiaries
Consolidated Statement of Retained Earnings
(Unaudited)
For the Three Months Ended September 30, 2005
(Millions of Dollars)

	Sept. 30, 2005	Adjustments	Adjusted Total
Balance at Beginning of Period	637		637
Net Income	73		73
	710		710
Dividends Declared - Common Stock	150		
Balance at End of Period	560		560

The accompanying notes are an integral part of these consolidated financial statements.

Note: As per Order 01-1777 (UE-115), gains/losses from property sales are assigned to a balancing account for later refund/collection from customers. There is no impact to the statement of retained earnings

PORTLAND GENERAL ELECTRIC COMPANY

PROPOSED JOURNAL ENTRIES

The following entries are to record the sale of the St. Helens District Office, 1.06 acres of land, Lots 1,2,3,4,19,20,21,22 - B41-4, Columbia Co. to Western Property Investments, LLC.

	Structures	Land	Total
Selling Price	76,412	343,588	420,000
Original Cost	237,266	95,609	332,875
Accum. Depreciation	(160,854)		(160,854)
Selling Expenses		108,850	108,850
Gain(Loss) Realized	0	139,129	139,128

Account	Description	Debit	Credit
	(1)		
131	Cash	420,000	
108	Retirement Work in Progress (RWIP)	237,266	
186	Misc Deferred Debits (Land RWIP)	95,609	
186	Misc Deferred Debits (Land RWIP)	108,850	
108	RWIP		76,412
186	Misc Deferred Debits (Land RWIP)		343,588
101	Electric plant in service		332,875
131	Cash - Estimated selling expenses		108,850

To record proceeds and retire property associated with the sale of the St. Helens District Office

	(2)		
186	RWIP	139,129	
411.6	Gain on disposition of property (Land)		139,129

To record the gain on the sale of land of the St. Helens District Office

(3)		
407.3	Regulatory Debits	139,129
254	Deferred gain on property sale, UE-115	139,129

To record the deferred gain per UE-115 associated with the St. Helens District Office

The above accounting is in accordance with the Uniform System of Accounts in the Code of Federal Regulations. Account 108 shall be charged with the Retirement, removal costs and salve of Electric Utility depreciable property. Account 411.6/411.7 shall be charged for the Above-the-line Gain/Loss on disposition of land (property).

G:\RATECASE\OPUC\DOCKETS\PROPERTY\UP-206_St. Helens Svc Ctr (2003)\Supplemental Filing March_2006\[Supp_App_UP-206_Exh_E_G_H_J_L.xls]Exh E-BS

Cost and Description of Property

The accounting history for the St. Helens District Office property Plat B41-14, Lot 1, and the associated exhibit is as follows:

<u>Date</u>	<u>Sq. Ft.</u>	<u>Event</u>	<u>Bookcost</u>
1975	5,700	PSC Appraisal per Audit 30022. Classified in Balance sheet account 101, Plant-In-Service, FERC account 389-00 General Plant	\$ 20,208.14
	5,700	Sq footage and value of lot 1 to be retired in conjunction with land sale.	\$ 20,208.14

The accounting history for the St. Helens District Office property Plat B41-14, Lot 2 , and the associated exhibit is as follows:

<u>Date</u>	<u>Sq. Ft.</u>	<u>Event</u>	<u>Bookcost</u>
1971	5,700	PSC Appraisal per Audit 31253. Classified in Balance sheet account 101, Plant-In-Service, FERC account 389-00 General Plant	\$ 4,336.49
	5,700	Sq footage and value of lot 2 to be retired in conjunction with land sale.	\$ 4,336.49

The accounting history for the St. Helens District Office property Plat B41-14, Lots 3 & 4 , and the associated exhibit is as follows:

<u>Date</u>	<u>Sq. Ft.</u>	<u>Event</u>	<u>Bookcost</u>
1971	10,748	PSC Appraisal per Audit 25685 & 30096. Classified in Balance sheet account 101, Plant-In-Service, FERC account 389-00 General Plant	\$ 47,338.89

1973		Value of office building transferred to account 390-00	\$	(29,584.31)
	10,748	Sq footage and value of lots 3 & 4 to be retired in conjunction with land sale.	\$	17,754.58

The accounting history for the St. Helens District Office property Plat B41-14, Lots 19 & 20 , and the associated exhibit is as follows:

<u>Date</u>	<u>Sq. Ft.</u>	<u>Event</u>		<u>Bookcost</u>
1976	11,301	PSC Appraisal per Audit 31254. Classified in Balance sheet account 101, Plant-In-Service, FERC account 389-00 General Plant	\$	35,675.00
1980		Removal of small building	\$	999.38
	11,301	Sq footage and value of lots 19 & 20 to be retired in conjunction with land sale.	\$	36,674.38

The accounting history for the St. Helens District Office property Plat B41-14, Lot 21, and the associated exhibit is as follows:

<u>Date</u>	<u>Sq. Ft.</u>	<u>Event</u>		<u>Bookcost</u>
1975	5,700	PSC Appraisal per Audit 26373. Classified in Balance sheet account 101, Plant-In-Service, FERC account 389-00 General Plant	\$	10,423.50
	5,700	Sq footage and value of lot 21 to be retired in conjunction with land sale.	\$	10,423.50

The accounting history for the St. Helens District Office property Plat B41-14, Lot 22, and the associated exhibit is as follows:

<u>Date</u>	<u>Sq. Ft.</u>	<u>Event</u>	<u>Bookcost</u>
1975	5,700	PSC Appraisal per Audit 28857. Classified in Balance sheet account 101, Plant-In-Service, FERC account 389-00 General Plant	\$ 6,211.77
	5,700	Sq footage and value of lot 22 to be retired in conjunction with land sale.	\$ 6,211.77

2003)\Supplemental Filing March_2006\Supp_App_UP-206_Exh_E_G_H_J_L.xls)Exh E-BS

Statement of Contingent Liabilities

Trojan Investment Recovery - In 1993, following the closure of the Trojan Nuclear Plant, PGE sought full recovery of and a rate of return on its Trojan plant costs, including decommissioning, in a general rate case filing with the OPUC. The filing was a result of PGE's decision earlier in the year to cease commercial operation of Trojan as a part of its least cost planning process. In 1995, the OPUC issued a general rate order (1995 Order) which granted the Company recovery of, and a rate of return on, 87% of its remaining investment in Trojan plant costs, and full recovery of its estimated decommissioning costs through 2011.

Numerous challenges, appeals and requested reviews were subsequently filed in the Marion County, Oregon Circuit Court, the Oregon Court of Appeals, and the Oregon Supreme Court on the issue of the OPUC's authority under Oregon law to grant recovery of and a return on the Trojan investment. The primary plaintiffs in the litigation were the Citizens' Utility Board (CUB) and the Utility Reform Project (URP). The Court of Appeals issued an opinion in 1998, stating that the OPUC does not have the authority to allow PGE to recover a return on the Trojan investment, but upholding the OPUC's authorization of PGE's recovery of the Trojan investment and ordering remand of the case to the OPUC. PGE and the OPUC requested the Oregon Supreme Court to conduct a review of the Court of Appeals decision on the return on investment issue. In addition, URP requested the Oregon Supreme Court to review the Court of Appeals decision on the return of investment issue. PGE requested the Oregon Supreme Court to suspend its review of the 1998 Court of Appeals opinion pending resolution of URP's complaint with the OPUC challenging the accounting and ratemaking elements of the settlement agreements approved by the OPUC in September 2000 (discussed below). On November 19, 2002, the Oregon Supreme Court dismissed PGE's and URP's petitions for review of the 1998 Oregon Court of Appeals decision. As a result, the 1998 Oregon Court of Appeals opinion stands and the case has been remanded to the OPUC.

While the petitions for review of the 1998 Court of Appeals decision were pending at the Oregon Supreme Court, in 2000, PGE, CUB, and the staff of the OPUC entered into agreements to settle the litigation related to PGE's recovery of, and return on, its investment in the Trojan plant. URP did not participate in the settlement. The settlement, which was approved by the OPUC in September 2000, allowed PGE to remove from its balance sheet the remaining before-tax investment in Trojan of approximately \$180 million at September 30, 2000, along with several largely offsetting regulatory liabilities. The largest of such amounts consisted of before-tax credits of approximately \$79 million in customer benefits related to the previous settlement of power contracts with two other utilities and the approximately \$80 million remaining credit due customers under terms of the 1997 merger of Portland General Corporation (PGC) with Enron. The settlement also allows PGE recovery of approximately \$47 million in income tax benefits related to the Trojan investment which had been flowed through to customers in prior years; such amount is being recovered from PGE customers, with no return on the unamortized balance, over an approximate five-year period that began in October 2000. At September 30, 2005, the remaining balance to be collected was approximately \$3 million. After offsetting the investment in Trojan with these credits and prior tax benefits, 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 is no longer included in rates charged to customers, either through a return of or a return on that investment. Authorized collection of Trojan decommissioning costs is unaffected by the settlement agreements or the OPUC orders.

The URP filed a complaint with the OPUC challenging the settlement agreements and the Commission's September 2000 order. In March 2002, after a full contested case hearing, the OPUC issued an order (2002 Order) denying all of URP's challenges, and approving the accounting and ratemaking elements of the 2000 settlement. URP appealed the 2002 Order to the Marion County, Oregon Circuit Court. On November 7, 2003, the Marion County Circuit Court issued an opinion remanding the case to the OPUC for action to reduce rates or order refunds. The opinion does not specify the amount or timeframe of any reductions or refunds. PGE and the OPUC have filed appeals to the Oregon Court of Appeals.

In a separate legal proceeding, two class action suits were filed in Marion County Circuit Court against PGE on January 17, 2003 on behalf of two classes of electric service customers. One case seeks to represent current PGE customers that were customers during the period from April 1, 1995 to October 1, 2000 (Current Class) and the other case seeks to represent PGE customers that were customers during the period from April 1, 1995 to October 1, 2000, but who are no longer customers (Former Class). The suits seek damages of \$190 million for the Current Class and \$70 million for the Former Class, as a result of the inclusion of a return on investment of Trojan in the rates PGE charges its customers. On April 28, 2004, the plaintiffs filed a Motion for Partial Summary Judgment and on July 30, 2004, PGE also moved for Summary Judgment in its favor on all of Plaintiff's claims. On December 14, 2004, the Judge granted the Plaintiff's motion for Class Certification and Partial Summary Judgment and denied PGE's motion for Summary Judgment. PGE filed a proposed order certifying the issue for an interlocutory appeal. An order rejecting the proposed order was entered on February 1, 2005. On March 3, 2005 and March 29, 2005, PGE filed two Petitions for an Alternative Writ of Mandamus with the Oregon Supreme Court, asking the Court to take jurisdiction and command the trial Judge to dismiss the complaints or to show cause why they should not be dismissed and seeking to overturn the Class Certification. On May 3, 2005, the Oregon Supreme Court granted both Petitions and oral arguments were subsequently held. A decision is pending.

On March 3, 2004, the OPUC re-opened three dockets in which it had addressed the issue of a return on PGE's investment in Trojan, including the 1995 Order and 2002 Order related to the settlement of 2000.

On August 31, 2004, the administrative law judge issued an Order (Scoping Order) defining the scope of the proceedings necessary to comply with the Marion County Circuit Court orders remanding this matter to the OPUC. On October 18, 2004, the OPUC affirmed the Scoping Order. On December 20, 2004, the URP and Class Action Plaintiffs filed an application with the OPUC for reconsideration of the Scoping Order. On February 11, 2005, the OPUC denied reconsideration. On April 18, 2005, URP and Linda K. Williams filed a complaint against the OPUC in Marion County Circuit Court challenging the OPUC's affirmation of the Scoping Order. The OPUC filed a motion to dismiss the complaint, and on September 21, 2005, the Marion County Circuit Court granted the OPUC's motion. Hearings in the first phase of the OPUC proceeding have been held, with a decision expected in early 2006.

In February 14, 2005, PGE received a Notice of Potential Class Action Lawsuit for Damages and Demand to Rectify Damages from counsel representing Frank Gearhart, David Kafoury and Kafoury Brothers, LLC (Potential Plaintiffs) stating that Potential Plaintiffs intend to bring a class action lawsuit against the Company. Potential Plaintiffs allege that for the period from October 1, 2000 to the present, the Company's electricity rates have included unlawful charges for a return on investment in Trojan in an amount in excess of \$100 million. No action has been filed to date.

Management cannot predict the ultimate outcome of the above matters. However, it believes these matters will not have a material adverse impact on the financial condition of the Company, but may have a material impact on the results of operations for a future reporting period. No reserves have been established by PGE for any amounts related to this issue.

Multnomah County Business Income Taxes - In January 2005, David Kafoury and Kafoury Brothers, LLC filed a class action lawsuit in Multnomah County Circuit Court against PGE on behalf of all PGE customers who were billed on their electric bills and paid amounts for Multnomah County Business Income Taxes (MCBIT) after 1996. The plaintiffs allege that during the period 1997 through the third quarter 2004, PGE collected in excess of \$6 million from its customers for MCBIT that was never paid to Multnomah County. The charges were billed and collected under OPUC rules that allow utilities to collect taxes imposed by the county. As a member of Enron's consolidated income tax return, PGE paid the tax it collected to Enron. The plaintiffs seek a judgment against PGE for restitution of MCBIT collected from customers. Plaintiffs also seek interest, recoverable costs, and reasonable attorney fees. The plaintiffs filed an amended complaint on February 25, 2005, adding claims for fraud, unjust enrichment, conversion, statutory violations, and seeking punitive damages. On February 24, 2005, PGE requested a declaratory ruling from the OPUC as to whether the OPUC rules authorized PGE collections of the MCBIT and, if not,

whether refunds are controlled by the OPUC three-year limitation for billing adjustments. On May 23, 2005, the Circuit Court granted PGE's March 24, 2005 motion for a stay for all purposes until October 15, 2005, with the opportunity to renew if the OPUC had not issued its declaratory ruling by that date. On October 5, 2005, the OPUC issued an order in the declaratory ruling docket. The OPUC determined that the rules in question required only that PGE allocate this tax to Multnomah County customers and did not require that PGE calculate it in any particular way. Because the OPUC did not find that PGE had violated its rule, the OPUC did not answer whether its three-year limitation on billing adjustments applied. Proceedings will continue in Multnomah County Circuit Court. PGE has notified the Court of the Company's intent to voluntarily refund MCBIT (plus interest) to customers and has filed motions requesting the Court's guidance regarding the number of years for which refunds should be made. Based on management's assessment of these matters, PGE established a reserve in September 2005 and believes that any additional loss will not have a material adverse impact on the Company's financial statements.

Union Grievances - In November 2001, grievances were filed by several members of the International Brotherhood of Electrical Workers Local 125 (IBEW), the bargaining unit representing PGE's union workers, alleging that losses in their pension/savings plan were caused by Enron's manipulation of its stock. The grievances, which do not specify an amount of claim, seek binding arbitration. PGE filed for relief in Multnomah County Circuit Court seeking a ruling that the grievances are not subject to arbitration. On August 14, 2003, the Court granted PGE's motion for summary judgment, finding that the grievances are not subject to arbitration. A final judgment was entered on October 6, 2003. On October 22, 2003, the IBEW appealed the decision to the Oregon Court of Appeals. A decision is pending. Both the U.S. District Court and the Bankruptcy Court approved the settlement of the class action litigation styled In re Enron Corp. Securities Derivative & "ERISA" Litigation, Pamela M. Tittle, et al, v. Enron Corp., et al, Civil Action No. H-01-3913, U.S. District Court for the Southern District of Texas, Houston Division (Tittle Action). On September 13, 2005, the U.S. District Court entered a Bar Order in the Tittle Action, which specifically bars all claims arising out of this case, including the IBEW grievance proceeding. On October 18, 2005, at the request of the Oregon Court of Appeals, PGE filed a response memorandum in which PGE argued that the Bar Order makes the grievance moot. Management cannot predict the ultimate outcome of this matter or estimate any potential loss.

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