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

April 14, 2006

**via Messenger**

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

Attention: **Commission Filing Center**

Re: **UP-____** Application for approval of
Asset Purchase and Development Agreement
in Sherman County, Oregon

With this letter, PGE is filing an Application for approval under ORS 757.480 to grant a lien and to sell and encumber certain property located in Sherman County, Oregon.

Portions of the Application itself, as well as Exhibits C, D, I.1 through I.7, and K to the Application, are considered **Confidential** and have been marked accordingly. These documents are enclosed in a separate envelope. Enclosed also please find a redacted version of the Application with the confidential information omitted.

PGE has also enclosed for filing, a Motion for Protective Order to protect confidential information in the Application and its Exhibits from disclosure. PGE understands that the Commission will keep the confidential information from public disclosure pending the granting of a Protective Order. PGE requests that electronic copies of confidential materials NOT be placed on the OPUC Website.

Also enclosed please find a CD which contains electronic versions of the redacted version of the Application and of the non-confidential Exhibits.

We ask that this Application be placed on the docket for consideration at the Commission's May 23, 2006 Public Meeting, or as soon thereafter as possible.

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

Sincerely,

**/s/ Patrick G. Hager**

Patrick G. Hager
Manager, Regulatory Affairs
Encls. CD and hardcopy

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 860-27-0025, Portland General Electric Company ("PGE") seeks approval from the Oregon Public Utility Commission ("Commission") for (1) the sale of certain PGE property under the conditions as described herein, and (2) the encumbrance of PGE property that is necessary or useful for providing service to the public. Both approvals are necessary to allow PGE to complete the purchase of the wind project development assets and rights held by a third party.

## I. Introduction

### a. Reason for the Application

On March 15, 2006, PGE entered into an Asset Purchase and Development Agreement ("Agreement") (attached as Exhibit I.1) with Orion Energy LLC and Orion Sherman Wind Farm LLC (collectively, "Orion") for the acquisition by PGE of certain wind project development assets and rights (collectively "Development Assets") in Sherman County, Oregon. The wind project to be constructed by PGE ("Biglow Project" or "Project") is to be permitted for an expected aggregate installed capacity of up to 450 MW of wind-powered electric generation. The Biglow Project is expected to be constructed in phases, consisting of a first phase with an expected aggregate installed capacity of approximately 126 MW ("Phase 1") and one or more subsequent phases (each, a "Subsequent Phase").

The Agreement contemplates that Orion may repurchase from PGE all or a portion of the Project should PGE be unwilling (or unable) to complete development of the Project. Orion's repurchase right for the remaining Project is necessary for Orion to complete its development and receive the full economic benefit of the Development Assets initially conveyed to PGE. At the time Orion may have repurchase rights, portions of the assets subject to repurchase may be subject to ORS 757.480. In addition, as discussed below, the Agreement requires PGE to grant a lien to Orion on PGE's interest in certain utility property, which also requires approval under that statute. Orion's repurchase rights, both as to the assets repurchased and the price to be paid, and the details concerning the grant of lien, are specified in the Agreement. As a result, the Commission can evaluate the potential sale and grant of lien, and provide approval of this Application.

b. Summary of the Transaction

While the Agreement has been executed, it and the majority of the other agreements conveying the Development Assets are being held in escrow pending approval of this Application. Pending such approval and release of the Development Assets from escrow through a "second closing," Orion will continue to own the Development Assets. The Development Assets include land rights in the northeastern part of Sherman County, Oregon, and additional contractual rights of which both will be assigned to PGE by Orion at a "second closing." PGE's acquisition of the Development Assets will provide PGE with an economical renewable resource to meet its customer load.

Under the Agreement, Orion will receive value in exchange for the Development Assets through two forms of payment: fixed development payments made upon the occurrence of certain events (described in Section II (h), below) and future periodic production payments based

on electricity generated once the Biglow Project is constructed and operating. (Agreement, Section 2.3). Of these two forms of payment, the future periodic payments represent the majority of the value to Orion. As a result, Orion is at risk with respect to both PGE's development of the Project and the Project's generation output. Since Orion will receive the greater portion of its value from the Agreement in the future periodic production payments, the Agreement provides Orion with a right to repurchase certain Development Assets should PGE not proceed. (Agreement, Article 12).

In addition, the Agreement further provides that Orion's periodic payments be secured by a lien on PGE's interest in the Biglow Project substation site (the "Substation Property"). This is because Orion's production based periodic payments will at least partially occur over a [*redacted*] period. (See Royalty Trust Deed, Exhibit D). However, Orion has agreed to subordinate its lien to the lien of PGE's First Mortgage Bond Indenture.

Under the Agreement, PGE reserved the right to continuously evaluate the cost of each Phase against the cost of alternative resources. If PGE determines that there are lower-cost alternatives, PGE will not be obligated to proceed with construction of any portion of the Project. Accordingly, to protect the value of the Agreement to Orion, Orion has reserved in the Agreement the right to repurchase some or all of the Development Assets in certain situations. (Agreement, Article 12). In any event, PGE's construction of [*redacted*] of the Project will end any Orion repurchase rights. (*Id*.). The property subject to repurchase and the repurchase price are specified in the Agreement. (*See* footnote 2, below for applicable Agreement provisions).

The Commission's approval of this Application would provide PGE the regulatory approval for Orion's right to reacquire any undeveloped portion of the Development Assets and proceed with the second closing. In addition, this Application requests permission to grant Orion

a security interest or encumbrance in PGE's interest in the Substation Property that would be subordinate to the lien of PGE's First Mortgage Bond Indenture. Because Orion continues to own a majority of the Development Assets pending Commission approval of this Application, such approval is necessary for PGE to receive those Development Assets and proceed with development of the Project for PGE customers.

## 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 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) *Name and address of the person on behalf of applicant authorized to receive notices and communications in respect to the applications*

| | |
|---|---|
| PGE-OPUC Filings | J. Richard George |
| Rates & Regulatory Affairs | Assistant General Counsel |
| Portland General Electric Company | Portland General Electric Company |
| 121 SW Salmon Street, 1WTC0702 | 121 SW Salmon Street, 1 WTC1301 |
| Portland, OR 97204 | Portland, OR 97204 |
| (503) 464-7857 (telephone) | (503) 464-7611 (telephone) |
| (503) 464-7651 (telecopier) | (503) 464-2200 (telecopier) |
| pge.opuc.filings@pgn.com | 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

Kelley J. Marold
E-Mail: Kelley.Marold@pgn.com

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

As of March 14, 2006, the following are the principal officers of PGE:

| **NAME** | **TITLE** |
|---|---|
| Peggy Y. Fowler | Chief Executive Officer & President |
| James J. Piro | Executive Vice President, Finance, Chief Financial Officer & Treasurer |
| Arleen Barnett | Vice President |
| Carol A. Dillin | Vice President |
| Stephen R. Hawke | Vice President |
| Ronald W. Johnson | Vice President |
| Pamela G. Lesh | Vice President |
| James F. Lobdell | Vice President |
| Joe A. McArthur | Vice President |
| 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 |

| | |
|---|---|
| Karen J. Lewis | Assistant Secretary |
| Steven F. McCarrel | Assistant Secretary |
| Campbell A. Henderson | Chief Information Officer |

All of these officers share the business address listed under (a) above.

(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 in the generation, purchase, transmission, distribution, and sale of electric energy for public use in Clackamas, Columbia, Hood River, Jefferson, Marion, Morrow, Multnomah, Polk, Washington, and Yamhill counties, Oregon.

(f) *A statement, as of the date of the balance sheet submitted with the application, showing for each class and series of capital stock: brief description; the amount authorized (face value and number of shares); the amount outstanding (exclusive of any amount held in the treasury); amount held as reacquired securities; amount pledged; amount owned by affiliated interests; and amount held in any fund.*

The following represents PGE's stock as of December 31, 2005, the date of PGE's last major SEC filing (10-K):

| | Oustanding Shares | Amount ($000s) |
|---|---|---|
| *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 | 174,728 | 17,472 |
| *Common Stock:* | | |
| *$3.75 Par Value (100,000,000 shares authorized):* | 42,758,877 | $160,346 |

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) *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 following represents PGE's debt as of December 31, 2005, the date of PGE's last major SEC filing (10-K)

| Description | Authorized ($000s) | Outstanding ($000s) |
|---|---|---|
| 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 | 50,000 | 50,000 |
| 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% | 5,100 | 5,100 |
| Total Pollution Control Bonds | $194,000 | $194,000 |

Other Long-Term Debt:

| | | |
|---|---|---|
| Long term contracts | 88,731 | 90,017 |
| 7.875% Notes due 2010 | 149,250 | 149,250 |
| Capital Lease Obligations | 0 | 155 |
| 6.91% Conservation Bonds | 9047 | 9923 |
| Unamortized Debt Discount and Other | ( 1,206) | (1,222) |
| Total Other Long-Term Debt | $245,822 | $248,123 |
| Less Maturities and Sinking Funds Included in Current Liabilities | ( 9,047) | (9,923) |
| Total Long-Term Debt | $950,775 | $952,200 |

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 the potential disposition of all or part of the Development Assets by sale from PGE to Orion. The consideration for the sale will be determined at the time of the exercise of the repurchase rights by, or imposition of the repurchase obligations on, Orion. The price is intended to reflect the value of the repurchased assets at that future time, taking into account the degree to which the Development Assets have been developed and the structure of the overall bargain struck between PGE and Orion.

Specifically, the consideration is based on the provisions contained in Section 1.1 of the Agreement, and generally amounts to PGE receiving book value. As defined in the Agreement, book value would be the "out-of-pocket third party costs incurred and out-of-pocket third party payments made by [PGE]." In certain circumstances, PGE may be required to obtain Orion's approval before incurring costs not considered to be "in the ordinary course of business" but only

to the extent that PGE wants to include the costs in the Orion repurchase price. In two instances, the consideration would exceed such book value: 1) In the event that Orion fails to achieve either the Permit Milestone or the Land Rights Milestone[1] and PGE imposes the repurchase obligations on Orion (in which case, PGE would also receive interest on its expenditures); or, 2) If PGE constructs at least Phase 1 of the Project but chooses for any reason not to proceed with further construction, and Orion exercises its repurchase rights, then to the extent that at least [*redacted*] of capacity remains to be constructed, Orion would be required to pay an additional [*redacted*] over and above PGE's book value in any such unconstructed capacity. To the extent any such remaining unconstructed capacity is less than [*redacted*], then the [*redacted*] would be adjusted on a pro rata basis[2].

[1] See 2.2.2 of the Agreement. "Permit Milestone" generally is the milestone reached when all key permits are issued and all administrative or legal appeals for such permits have been exhausted. "Land Rights Milestone" generally is the milestone reached when Orion clears title to the land rights under the Agreement and PGE is able to obtain an appropriate A.L.T.A title insurance policy.

[2] Specifically, Section 1.1 of the Agreement provides:
"Repurchase Price" means

> (i) with respect to a Right of Repurchase other than a Right of Repurchase involving only one or more Subsequent Phases, all out-of-pocket third party costs incurred and out-of-pocket third party payments made by [PGE] with respect to the applicable Repurchase Assets, (a) on or after the Closing Date through the date of the notice of exercise of the Right of Repurchase and (b) after the date of notice of exercise of the Right of Repurchase, such costs incurred and payments made (x) in the ordinary course of business and (y) as approved by [Orion] such approval not to be unreasonably withheld, if not in the ordinary course of business, including, in all cases, Purchase Price payments and payments to the owners of the Real Property pursuant to the Existing Real Estate Documents (but not including any internal labor or overhead costs, or costs associated with transmission rights or transaction costs) (collectively, the "[PGE's] Out-of-Pockets Costs");
>
> (ii) with respect to a Right of Repurchase involving only one or more Subsequent Phases, the sum of (1) [PGE's] Out-of-Pockets Costs with respect to the applicable Repurchase Assets (but for the avoidance of doubt, not including any [PGE] Out-of-Pockets Costs associated with Phase 1 and any Subsequent Phase excluded from the repurchase), plus (2) if the Right of Repurchase is for Repurchase Assets which are reasonably capable of accommodating a Phase greater than [*redacted*] in capacity, [*redacted*], and if the Right of Repurchase is for Repurchase Assets reasonably capable of accommodating a Phase less than [*redacted*], a prorata portion of [*redacted*], and
>
> (iii) with respect to [Orion's] Repurchase Obligation, the sum of (1) all [PGE] Out-of-Pocket Costs with respect to the Project, plus (2) interest at an annual rate equal to the Applicable Interest Rate, from the date each cost was incurred or payment was made by [PGE] to the date of the closing of the repurchase.

Section 1.1 of the Agreement also provides that the "Repurchase Assets" include:

> all right, title and interest of [PGE] in and to (a) all Purchased Assets to the extent specifically related to such Phase, including (i) Assumed Contracts (including Existing Real Estate Documents) applicable to

This is also an application for the mortgaging or encumbering of property of PGE for the benefit of Orion. Orion has decided to secure its future production payments by placing a lien on PGE's interest in the Substation Property.

(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 to be disposed of will be determined in accordance with the definition of Repurchase Assets, which is set forth in Section 1.1 of the Agreement. The property is proposed to be acquired by PGE for the construction of wind energy facilities. If PGE does not construct all or some of the phases of the wind project, then upon the exercise of the repurchase option, Orion or a third party may construct the reacquired property as a wind energy project. The property to be reacquired by Orion may be all of the Development Assets, or may only be a portion of those assets if the repurchase option is exercised as to a Subsequent Phase. In any event, the property would not constitute all of the operating facilities of either Orion or PGE.

(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 primary accounts for the Project are FERC Account No. 107 (Construction Work in Progress), and FERC Account 183 (Preliminary survey and investigation charges) until placed

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such Phase, (ii) all BPA interconnection rights applicable to such Phase (but not including any Buyer Transmission Rights), and (iii) Permits or Permit Applications, to the extent applicable to such Phase, and (b) any additional development assets then owned by [PGE] specifically related to the applicable Phase, including additional land rights applicable to such Phase (but not including any of [PGE's] Transmission Rights); provided that [Orion] shall have elected to include such additional development assets in connection with its Right of Repurchase.

into service. At that time the Project will be placed in FERC Account No. 101 (Plant in Service.) The original cost of the Project will be booked in these accounts.

The cost of all of the Development Assets acquired from Orion, all or some of which may be the subject matter of the repurchase, will depend on the stage of construction of the Project at the time of the exercise of any repurchase right. To the extent the assets are repurchased prior to PGE acquiring wind turbines or a balance of plant construction agreement for any Phase, PGE's cost will generally be limited to out-of-pocket third party costs charged to the project including any payments made to BPA for interconnection costs, any payments made to Orion, and any payments made pursuant to the Project easement agreements. In the event that Orion or a third party repurchases a Subsequent Phase of the project after PGE has constructed at least Phase 1, then PGE's cost at the time of the repurchase will include the appropriate share of the cost of constructed facilities that Orion or the third party would need access to in order to construct, own and operate such repurchased Phase. Examples of assets that Orion may need to repurchase following PGE constructing at least Phase 1, include a portion of access roads, the land easements for the underlying property being repurchased, a pro-rata portion of any payments made to BPA for interconnection facilities, and a portion of the investment in the Substation Property and the equipment installed thereon.[3]

(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*

If the repurchase option is triggered, an amendment to the Project site certificate or site certificate application may need to be filed by the parties with the Oregon Energy Facility Siting

[3] The repurchase price will generally not include any of PGE's internal labor or overhead costs, costs associated with transmission rights on BPA's system, or transaction costs.

Council to consummate the transaction. The parties do not believe that filings with any other federal or state agency will be required.

(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*

Obtaining OPUC approval of 1) Orion's lien on PGE's interest in the Substation Property; and 2) the possible repurchase of Development Assets, are conditions precedent to closing on the acquisition of certain of the Development Assets by PGE. Satisfying these conditions precedent, and consummating the acquisition by PGE, will give PGE the opportunity, if economical, to construct a favorable renewable resource development location with an above-average capacity factor, long-term land tenures, land use compatibility, and access to transmission to provide greater generation resource diversity, lower power supply cost volatility and greater stability in customer rates. PGE's load and resource forecast continues to display a significant energy deficit beyond the end of the current decade based on the expected economic dispatch of existing and recently acquired resources through the Integrated Resource Plan. The acquisition of the Project, if constructed, would contribute to reducing PGE's reliance on the market to meet retail load obligations. Some additional public interest benefits are highlighted below:

(1) The Project, if constructed, will add fuel diversity to PGE's power supply portfolio, reducing PGE's exposure to the price volatility of such fuels as natural gas. In addition, the Project will provide a lower average busbar cost/MWh, as a result of its above-average capacity factor for a wind project.

(2) The Project, if constructed, would contribute to PGE's ability to fill its power supply portfolio deficit. The Project will be permitted for up to 450 MW. The Project will provide the flexibility of a phased buildout, allowing PGE to effectively spread out the capital requirements and any initial retail rate impacts (due to front loaded revenue requirements) over a manageable period of time.

(3) The Project, if constructed, would contribute to the reduction of greenhouse gas emissions incurred in meeting PGE's retail load requirement.

(4) The Project, if constructed, would enable PGE to meet its goal for development of wind property under the Company's Integrated Resource Plan.

(5) The Project, if constructed, would represent a long-term investment horizon with re-powering opportunities in a marketplace that continues to be further constrained from a transmission perspective.

(6) If PGE determines that there are lower-cost alternatives to constructing any phase of the Project, PGE will trigger Orion's repurchase rights, thus preserving the opportunity to pursue the acquisition of the lower-cost alternatives.

(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*

As discussed in subsection (l), above, obtaining OPUC approval for the grant of a lien to Orion in PGE's interest in the Substation Property and for the possible repurchase Development Assets as set forth in the Agreement, will give PGE the opportunity, if economical, to construct a favorable renewable resource development location with an above-average capacity factor, long term land tenures, land use compatibility, and access to transmission to provide greater generation resource diversity, lower power supply cost volatility and greater stability in customer rates. PGE's load and resource forecast continues to display a significant energy deficit beyond the end of the current decade based on the economic dispatch of existing and recently acquired resources through the IRP. Acquiring and constructing the Project will reduce PGE's reliance on volatile commodity markets to meet retail load obligations, while at the same time reducing greenhouse gas emissions. Some additional public interest benefits are highlighted in the response to item (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.

## 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*

The Amended and Restated Articles of Incorporation of PGE, effective April 3, 2006, are attached as Exhibit A.

*EXHIBIT B. A copy of the bylaws with amendments to date*

The Third Amended and Restated Bylaws of PGE, adopted March 14, 2006, are attached as Exhibit B.

*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*

An excerpt from the Resolutions of the Board of Directors of PGE, dated January 25, 2006, is attached as Exhibit C [CONFIDENTIAL].

*EXHIBIT D. Copies of all mortgages, trust, deeds, or indentures, securing any obligation of each party to the transaction*

The Trust Deed among PGE, Orion and Chicago Title Insurance Company ("Chicago Title"), dated March 15, 2006, is attached as Exhibit D [CONFIDENTIAL].

*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*

Attached.

*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*

Attached.

*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*

Attached.

*EXHIBIT H. An analysis of surplus for the period covered by the income statements referred to in Exhibit G*

Attached.

*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*

The Asset Purchase and Development Agreement between PGE and Orion is attached as Exhibit I.1 [CONFIDENTIAL].

The Escrow Agreement among PGE, Orion Sherman, Orion Energy, Orion Energy Holdings LLC, and Chicago Title, is attached as Exhibit I.2 [CONFIDENTIAL].

The Assignment, Consent and Agreement for Reassignment of Generation Project among BPA, Orion Energy and PGE, Agreement No. 06TX-12272, is attached as Exhibit I.3 [CONFIDENTIAL].

The Assignment and Assumption Agreement (Existing Real Estate Documents) between Orion Sherman and PGE is attached as Exhibit I.4 [CONFIDENTIAL].

The Assignment and Assumption Agreement (Sharf Option) between Orion Sherman and PGE is attached as Exhibit I.5 [CONFIDENTIAL].

The Wind Energy Royalty Agreement between PGE and Orion is attached as Exhibit I.6 [CONFIDENTIAL].

The Memorandum of Wind Energy Royalty Agreement between PGE and Orion is attached as Exhibit I.7 [CONFIDENTIAL].

*EXHIBIT J. A copy of each proposed journal entry to be used to record the transaction upon each applicant's books*

Attached.

*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*

Attached. [CONFIDENTIAL]

Dated this 14th day of April, 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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## I. Introduction

### a. Reason for the Application

On March 15, 2006, PGE entered into an Asset Purchase and Development Agreement ("Agreement") (attached as Exhibit I.1) with Orion Energy LLC and Orion Sherman Wind Farm LLC (collectively, "Orion") for the acquisition by PGE of certain wind project development assets and rights (collectively "Development Assets") in Sherman County, Oregon. The wind project to be constructed by PGE ("Biglow Project" or "Project") is to be permitted for an expected aggregate installed capacity of up to 450 MW of wind-powered electric generation. The Biglow Project is expected to be constructed in phases, consisting of a first phase with an expected aggregate installed capacity of approximately 126 MW ("Phase 1") and one or more subsequent phases (each, a "Subsequent Phase").

The Agreement contemplates that Orion may repurchase from PGE all or a portion of the Project should PGE be unwilling (or unable) to complete development of the Project. Orion's repurchase right for the remaining Project is necessary for Orion to complete its development and receive the full economic benefit of the Development Assets initially conveyed to PGE. At the time Orion may have repurchase rights, portions of the assets subject to repurchase may be subject to ORS 757.480. In addition, as discussed below, the Agreement requires PGE to grant a lien to Orion on PGE's interest in certain utility property, which also requires approval under that statute. Orion's repurchase rights, both as to the assets repurchased and the price to be paid, and the details concerning the grant of lien, are specified in the Agreement. As a result, the Commission can evaluate the potential sale and grant of lien, and provide approval of this Application.

b. Summary of the Transaction

While the Agreement has been executed, it and the majority of the other agreements conveying the Development Assets are being held in escrow pending approval of this Application. Pending such approval and release of the Development Assets from escrow through a "second closing," Orion will continue to own the Development Assets. The Development Assets include land rights in the northeastern part of Sherman County, Oregon, and additional contractual rights of which both will be assigned to PGE by Orion at a "second closing." PGE's acquisition of the Development Assets will provide PGE with an economical renewable resource to meet its customer load.

Under the Agreement, Orion will receive value in exchange for the Development Assets through two forms of payment: fixed development payments made upon the occurrence of certain events (described in Section II (h), below) and future periodic production payments based

on electricity generated once the Biglow Project is constructed and operating. (Agreement, Section 2.3). Of these two forms of payment, the future periodic payments represent the majority of the value to Orion. As a result, Orion is at risk with respect to both PGE's development of the Project and the Project's generation output. Since Orion will receive the greater portion of its value from the Agreement in the future periodic production payments, the Agreement provides Orion with a right to repurchase certain Development Assets should PGE not proceed. (Agreement, Article 12).

In addition, the Agreement further provides that Orion's periodic payments be secured by a lien on PGE's interest in the Biglow Project substation site (the "Substation Property"). This is because Orion's production based periodic payments will at least partially occur over a [*redacted*] period. (See Royalty Trust Deed, Exhibit D). However, Orion has agreed to subordinate its lien to the lien of PGE's First Mortgage Bond Indenture.

Under the Agreement, PGE reserved the right to continuously evaluate the cost of each Phase against the cost of alternative resources. If PGE determines that there are lower-cost alternatives, PGE will not be obligated to proceed with construction of any portion of the Project. Accordingly, to protect the value of the Agreement to Orion, Orion has reserved in the Agreement the right to repurchase some or all of the Development Assets in certain situations. (Agreement, Article 12). In any event, PGE's construction of [*redacted*] of the Project will end any Orion repurchase rights. (*Id*.). The property subject to repurchase and the repurchase price are specified in the Agreement. (*See* footnote 2, below for applicable Agreement provisions).

The Commission's approval of this Application would provide PGE the regulatory approval for Orion's right to reacquire any undeveloped portion of the Development Assets and proceed with the second closing. In addition, this Application requests permission to grant Orion

a security interest or encumbrance in PGE's interest in the Substation Property that would be subordinate to the lien of PGE's First Mortgage Bond Indenture. Because Orion continues to own a majority of the Development Assets pending Commission approval of this Application, such approval is necessary for PGE to receive those Development Assets and proceed with development of the Project for PGE customers.

## 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 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) *Name and address of the person on behalf of applicant authorized to receive notices and communications in respect to the applications*

| | |
|---|---|
| PGE-OPUC Filings | J. Richard George |
| Rates & Regulatory Affairs | Assistant General Counsel |
| Portland General Electric Company | Portland General Electric Company |
| 121 SW Salmon Street, 1WTC0702 | 121 SW Salmon Street, 1 WTC1301 |
| Portland, OR 97204 | Portland, OR 97204 |
| (503) 464-7857 (telephone) | (503) 464-7611 (telephone) |
| (503) 464-7651 (telecopier) | (503) 464-2200 (telecopier) |
| pge.opuc.filings@pgn.com | 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

Kelley J. Marold
E-Mail: Kelley.Marold@pgn.com

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

As of March 14, 2006, the following are the principal officers of PGE:

| **NAME** | **TITLE** |
|---|---|
| Peggy Y. Fowler | Chief Executive Officer & President |
| James J. Piro | Executive Vice President, Finance, Chief Financial Officer & Treasurer |
| Arleen Barnett | Vice President |
| Carol A. Dillin | Vice President |
| Stephen R. Hawke | Vice President |
| Ronald W. Johnson | Vice President |
| Pamela G. Lesh | Vice President |
| James F. Lobdell | Vice President |
| Joe A. McArthur | Vice President |
| 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 |

| | |
|---|---|
| Karen J. Lewis | Assistant Secretary |
| Steven F. McCarrel | Assistant Secretary |
| Campbell A. Henderson | Chief Information Officer |

All of these officers share the business address listed under (a) above.

(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 in the generation, purchase, transmission, distribution, and sale of electric energy for public use in Clackamas, Columbia, Hood River, Jefferson, Marion, Morrow, Multnomah, Polk, Washington, and Yamhill counties, Oregon.

(f) *A statement, as of the date of the balance sheet submitted with the application, showing for each class and series of capital stock: brief description; the amount authorized (face value and number of shares); the amount outstanding (exclusive of any amount held in the treasury); amount held as reacquired securities; amount pledged; amount owned by affiliated interests; and amount held in any fund.*

The following represents PGE's stock as of December 31, 2005, the date of PGE's last major SEC filing (10-K):

| | Oustanding Shares | Amount ($000s) |
|---|---|---|
| *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 | 174,728 | 17,472 |
| *Common Stock:* | | |
| *$3.75 Par Value (100,000,000 shares authorized):* | 42,758,877 | $160,346 |

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) *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 following represents PGE's debt as of December 31, 2005, the date of PGE's last major SEC filing (10-K)

| Description | Authorized ($000s) | Outstanding ($000s) |
|---|---|---|
| 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 | 50,000 | 50,000 |
| 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% | 5,100 | 5,100 |
| Total Pollution Control Bonds | $194,000 | $194,000 |

Other Long-Term Debt:

| | | |
|---|---|---|
| Long term contracts | 88,731 | 90,017 |
| 7.875% Notes due 2010 | 149,250 | 149,250 |
| Capital Lease Obligations | 0 | 155 |
| 6.91% Conservation Bonds | 9047 | 9923 |
| Unamortized Debt Discount and Other | ( 1,206) | (1,222) |
| Total Other Long-Term Debt | $245,822 | $248,123 |
| Less Maturities and Sinking Funds Included in Current Liabilities | ( 9,047) | (9,923) |
| Total Long-Term Debt | $950,775 | $952,200 |

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 the potential disposition of all or part of the Development Assets by sale from PGE to Orion. The consideration for the sale will be determined at the time of the exercise of the repurchase rights by, or imposition of the repurchase obligations on, Orion. The price is intended to reflect the value of the repurchased assets at that future time, taking into account the degree to which the Development Assets have been developed and the structure of the overall bargain struck between PGE and Orion.

Specifically, the consideration is based on the provisions contained in Section 1.1 of the Agreement, and generally amounts to PGE receiving book value. As defined in the Agreement, book value would be the "out-of-pocket third party costs incurred and out-of-pocket third party payments made by [PGE]." In certain circumstances, PGE may be required to obtain Orion's approval before incurring costs not considered to be "in the ordinary course of business" but only

to the extent that PGE wants to include the costs in the Orion repurchase price. In two instances, the consideration would exceed such book value: 1) In the event that Orion fails to achieve either the Permit Milestone or the Land Rights Milestone[1] and PGE imposes the repurchase obligations on Orion (in which case, PGE would also receive interest on its expenditures); or, 2) If PGE constructs at least Phase 1 of the Project but chooses for any reason not to proceed with further construction, and Orion exercises its repurchase rights, then to the extent that at least [*redacted*] of capacity remains to be constructed, Orion would be required to pay an additional [*redacted*] over and above PGE's book value in any such unconstructed capacity. To the extent any such remaining unconstructed capacity is less than [*redacted*], then the [*redacted*] would be adjusted on a pro rata basis[2].

[1] See 2.2.2 of the Agreement. "Permit Milestone" generally is the milestone reached when all key permits are issued and all administrative or legal appeals for such permits have been exhausted. "Land Rights Milestone" generally is the milestone reached when Orion clears title to the land rights under the Agreement and PGE is able to obtain an appropriate A.L.T.A title insurance policy.

[2] Specifically, Section 1.1 of the Agreement provides:
"Repurchase Price" means

> (i) with respect to a Right of Repurchase other than a Right of Repurchase involving only one or more Subsequent Phases, all out-of-pocket third party costs incurred and out-of-pocket third party payments made by [PGE] with respect to the applicable Repurchase Assets, (a) on or after the Closing Date through the date of the notice of exercise of the Right of Repurchase and (b) after the date of notice of exercise of the Right of Repurchase, such costs incurred and payments made (x) in the ordinary course of business and (y) as approved by [Orion] such approval not to be unreasonably withheld, if not in the ordinary course of business, including, in all cases, Purchase Price payments and payments to the owners of the Real Property pursuant to the Existing Real Estate Documents (but not including any internal labor or overhead costs, or costs associated with transmission rights or transaction costs) (collectively, the "[PGE's] Out-of-Pockets Costs");
>
> (ii) with respect to a Right of Repurchase involving only one or more Subsequent Phases, the sum of (1) [PGE's] Out-of-Pockets Costs with respect to the applicable Repurchase Assets (but for the avoidance of doubt, not including any [PGE] Out-of-Pockets Costs associated with Phase 1 and any Subsequent Phase excluded from the repurchase), plus (2) if the Right of Repurchase is for Repurchase Assets which are reasonably capable of accommodating a Phase greater than [*redacted*] in capacity, [*redacted*], and if the Right of Repurchase is for Repurchase Assets reasonably capable of accommodating a Phase less than [*redacted*], a prorata portion of [*redacted*], and
>
> (iii) with respect to [Orion's] Repurchase Obligation, the sum of (1) all [PGE] Out-of-Pocket Costs with respect to the Project, plus (2) interest at an annual rate equal to the Applicable Interest Rate, from the date each cost was incurred or payment was made by [PGE] to the date of the closing of the repurchase.

Section 1.1 of the Agreement also provides that the "Repurchase Assets" include:

> all right, title and interest of [PGE] in and to (a) all Purchased Assets to the extent specifically related to such Phase, including (i) Assumed Contracts (including Existing Real Estate Documents) applicable to

This is also an application for the mortgaging or encumbering of property of PGE for the benefit of Orion. Orion has decided to secure its future production payments by placing a lien on PGE's interest in the Substation Property.

(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 to be disposed of will be determined in accordance with the definition of Repurchase Assets, which is set forth in Section 1.1 of the Agreement. The property is proposed to be acquired by PGE for the construction of wind energy facilities. If PGE does not construct all or some of the phases of the wind project, then upon the exercise of the repurchase option, Orion or a third party may construct the reacquired property as a wind energy project. The property to be reacquired by Orion may be all of the Development Assets, or may only be a portion of those assets if the repurchase option is exercised as to a Subsequent Phase. In any event, the property would not constitute all of the operating facilities of either Orion or PGE.

(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 primary accounts for the Project are FERC Account No. 107 (Construction Work in Progress), and FERC Account 183 (Preliminary survey and investigation charges) until placed

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such Phase, (ii) all BPA interconnection rights applicable to such Phase (but not including any Buyer Transmission Rights), and (iii) Permits or Permit Applications, to the extent applicable to such Phase, and (b) any additional development assets then owned by [PGE] specifically related to the applicable Phase, including additional land rights applicable to such Phase (but not including any of [PGE's] Transmission Rights); provided that [Orion] shall have elected to include such additional development assets in connection with its Right of Repurchase.

into service. At that time the Project will be placed in FERC Account No. 101 (Plant in Service.) The original cost of the Project will be booked in these accounts.

The cost of all of the Development Assets acquired from Orion, all or some of which may be the subject matter of the repurchase, will depend on the stage of construction of the Project at the time of the exercise of any repurchase right. To the extent the assets are repurchased prior to PGE acquiring wind turbines or a balance of plant construction agreement for any Phase, PGE's cost will generally be limited to out-of-pocket third party costs charged to the project including any payments made to BPA for interconnection costs, any payments made to Orion, and any payments made pursuant to the Project easement agreements. In the event that Orion or a third party repurchases a Subsequent Phase of the project after PGE has constructed at least Phase 1, then PGE's cost at the time of the repurchase will include the appropriate share of the cost of constructed facilities that Orion or the third party would need access to in order to construct, own and operate such repurchased Phase. Examples of assets that Orion may need to repurchase following PGE constructing at least Phase 1, include a portion of access roads, the land easements for the underlying property being repurchased, a pro-rata portion of any payments made to BPA for interconnection facilities, and a portion of the investment in the Substation Property and the equipment installed thereon.[3]

(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*

If the repurchase option is triggered, an amendment to the Project site certificate or site certificate application may need to be filed by the parties with the Oregon Energy Facility Siting

[3] The repurchase price will generally not include any of PGE's internal labor or overhead costs, costs associated with transmission rights on BPA's system, or transaction costs.

Council to consummate the transaction. The parties do not believe that filings with any other federal or state agency will be required.

(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*

Obtaining OPUC approval of 1) Orion's lien on PGE's interest in the Substation Property; and 2) the possible repurchase of Development Assets, are conditions precedent to closing on the acquisition of certain of the Development Assets by PGE. Satisfying these conditions precedent, and consummating the acquisition by PGE, will give PGE the opportunity, if economical, to construct a favorable renewable resource development location with an above-average capacity factor, long-term land tenures, land use compatibility, and access to transmission to provide greater generation resource diversity, lower power supply cost volatility and greater stability in customer rates. PGE's load and resource forecast continues to display a significant energy deficit beyond the end of the current decade based on the expected economic dispatch of existing and recently acquired resources through the Integrated Resource Plan. The acquisition of the Project, if constructed, would contribute to reducing PGE's reliance on the market to meet retail load obligations. Some additional public interest benefits are highlighted below:

(1) The Project, if constructed, will add fuel diversity to PGE's power supply portfolio, reducing PGE's exposure to the price volatility of such fuels as natural gas. In addition, the Project will provide a lower average busbar cost/MWh, as a result of its above-average capacity factor for a wind project.

(2) The Project, if constructed, would contribute to PGE's ability to fill its power supply portfolio deficit. The Project will be permitted for up to 450 MW. The Project will provide the flexibility of a phased buildout, allowing PGE to effectively spread out the capital requirements and any initial retail rate impacts (due to front loaded revenue requirements) over a manageable period of time.

(3) The Project, if constructed, would contribute to the reduction of greenhouse gas emissions incurred in meeting PGE's retail load requirement.

(4) The Project, if constructed, would enable PGE to meet its goal for development of wind property under the Company's Integrated Resource Plan.

(5) The Project, if constructed, would represent a long-term investment horizon with re-powering opportunities in a marketplace that continues to be further constrained from a transmission perspective.

(6) If PGE determines that there are lower-cost alternatives to constructing any phase of the Project, PGE will trigger Orion's repurchase rights, thus preserving the opportunity to pursue the acquisition of the lower-cost alternatives.

(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*

As discussed in subsection (l), above, obtaining OPUC approval for the grant of a lien to Orion in PGE's interest in the Substation Property and for the possible repurchase Development Assets as set forth in the Agreement, will give PGE the opportunity, if economical, to construct a favorable renewable resource development location with an above-average capacity factor, long term land tenures, land use compatibility, and access to transmission to provide greater generation resource diversity, lower power supply cost volatility and greater stability in customer rates. PGE's load and resource forecast continues to display a significant energy deficit beyond the end of the current decade based on the economic dispatch of existing and recently acquired resources through the IRP. Acquiring and constructing the Project will reduce PGE's reliance on volatile commodity markets to meet retail load obligations, while at the same time reducing greenhouse gas emissions. Some additional public interest benefits are highlighted in the response to item (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.

## 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*

The Amended and Restated Articles of Incorporation of PGE, effective April 3, 2006, are attached as Exhibit A.

*EXHIBIT B. A copy of the bylaws with amendments to date*

The Third Amended and Restated Bylaws of PGE, adopted March 14, 2006, are attached as Exhibit B.

*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*

An excerpt from the Resolutions of the Board of Directors of PGE, dated January 25, 2006, is attached as Exhibit C [CONFIDENTIAL].

*EXHIBIT D. Copies of all mortgages, trust, deeds, or indentures, securing any obligation of each party to the transaction*

The Trust Deed among PGE, Orion and Chicago Title Insurance Company ("Chicago Title"), dated March 15, 2006, is attached as Exhibit D [CONFIDENTIAL].

*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*

Attached.

*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*

Attached.

*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*

Attached.

*EXHIBIT H. An analysis of surplus for the period covered by the income statements referred to in Exhibit G*

Attached.

*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*

The Asset Purchase and Development Agreement between PGE and Orion is attached as Exhibit I.1 [CONFIDENTIAL].

The Escrow Agreement among PGE, Orion Sherman, Orion Energy, Orion Energy Holdings LLC, and Chicago Title, is attached as Exhibit I.2 [CONFIDENTIAL].

The Assignment, Consent and Agreement for Reassignment of Generation Project among BPA, Orion Energy and PGE, Agreement No. 06TX-12272, is attached as Exhibit I.3 [CONFIDENTIAL].

The Assignment and Assumption Agreement (Existing Real Estate Documents) between Orion Sherman and PGE is attached as Exhibit I.4 [CONFIDENTIAL].

The Assignment and Assumption Agreement (Sharf Option) between Orion Sherman and PGE is attached as Exhibit I.5 [CONFIDENTIAL].

The Wind Energy Royalty Agreement between PGE and Orion is attached as Exhibit I.6 [CONFIDENTIAL].

The Memorandum of Wind Energy Royalty Agreement between PGE and Orion is attached as Exhibit I.7 [CONFIDENTIAL].

*EXHIBIT J. A copy of each proposed journal entry to be used to record the transaction upon each applicant's books*

Attached.

*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*

Attached. [CONFIDENTIAL]

Dated this 14th day of April, 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

Orion OPUC Application

Chart of Exhibits

| Exhibit No. | Description | Status |
|---|---|---|
| A | *A copy of the charter or articles of incorporation with amendments to date* | Public |
| B | *A copy of the bylaws with amendments to date* | Public |
| C | *[Copies of all resolutions]* | Confidential |
| D | *Copies of all mortgages, trust, deeds, or indentures, securing any obligation of each party to the transaction* | Confidential |
| 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* | Public |
| 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* | Public |
| 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* | Public |
| H | *An analysis of surplus for the period covered by the income statements referred to in Exhibit G* | Public |
| I | *[A copy of each contract]*<br>I.1: Asset Purchase and Development Agreement<br>I.2: Escrow Agreement<br>I.3: BPA Assignment, Consent and Agreement<br>I.4: Assignment and Assumption Agreement: Existing Real Estate Documents<br>I.5: Assignment and Assumption Agreement: Sharf Option<br>I.6: Royalty Agreement<br>I.7: Memorandum of Royalty Agreement | Confidential |
| J | *A copy of each proposed journal entry to be used to record the transaction upon each applicant's books* | Public |
| 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* | Confidential |

# AMENDED AND RESTATED ARTICLES OF INCORPORATION OF PORTLAND GENERAL ELECTRIC COMPANY

The Articles of Incorporation, as amended, of Portland General Electric Company (the "Corporation") are hereby amended and restated under 60.451 of the Oregon Business Corporation Act (the "Act"). The date of filing of the Corporation's Articles of Incorporation was July 25, 1930.

## ARTICLE I.
## Name

The name of the Corporation is:

**Portland General Electric Company**

## ARTICLE II.
## Duration

The Corporation shall exist perpetually.

## ARTICLE III.
## Purposes

The Corporation is organized for the following purposes:

1. To construct, purchase, lease, and otherwise acquire ownership of and improve, maintain, use and operate every type and kind of real and personal property for the generation, manufacture, production and furnishing of electric energy, and to use, furnish and sell to the public, including other corporations, towns, cities and municipalities, at wholesale and retail, electric energy.

2. To engage in any lawful activity for which corporations may be organized under the Act and any amendment thereto.

3. To engage in any lawful activity and to do anything in the operation of the Corporation or for the accomplishment of any of its purposes or for the exercise of any of its powers which shall appear necessary for or beneficial to the Corporation.

The authority conferred in this Article III shall be exercised consistently with the requirements of applicable state and federal laws and regulations governing the activities of a public utility.

## ARTICLE IV.
## Classes of Capital Stock

The amount of the capital stock of the Corporation is:

COMMON STOCK. Common Stock of the Corporation shall consist of a class without par value consisting of 80,000,000 shares.

PREFERRED STOCK. Preferred Stock of the Corporation shall consist of a class without par value consisting of 30,000,000 shares issuable in series as hereinafter provided.

A statement of the preferences, limitations, and relative rights of each class of the capital stock of the Corporation, namely, the Preferred Stock without par value and the Common Stock, of the variations and relative rights and preferences as between series of the Preferred Stock insofar as the same are fixed by these Amended and Restated Articles of Incorporation (these "Articles") and of the authority vested in the Board of Directors of the Corporation to establish series of Preferred Stock, and to fix and determine the variations in the relative rights and preferences as between series insofar as the same are not fixed by these Articles is as follows:

PREFERRED STOCK

(a) As used in these Articles, the term "Preferred Stock" shall mean the Preferred Stock without par value. The Preferred Stock may be divided into and issued in series. Each series shall be so designated as to distinguish the shares thereof from the shares of all other series of the Preferred Stock and all other classes of capital stock of the Corporation. To the extent that these Articles shall not have established series of the Preferred Stock and fixed and determined the variations in the relative rights and preferences as between series, the Board of Directors shall have authority, and is hereby expressly vested with authority, to divide the Preferred Stock into series and, with the limitations set forth in these Articles and such limitations as may be provided by law, to fix and determine the relative rights and preferences of any series of the Preferred Stock so established. Such action by the Board of Directors shall be expressed in a resolution or resolutions adopted by it prior to the issuance of shares of each series, which resolution or resolutions shall also set forth the distinguishing designation of the particular series of the Preferred Stock established thereby. Without limiting the generality of the foregoing, authority is hereby expressly vested in the Board of Directors to fix and determine with respect to any series of the Preferred Stock:

(1) The rate of dividend;

(2) The price at which and the terms and conditions on which shares may be sold or redeemed;

(3) The amount payable upon shares in the event of voluntary liquidation and the amount payable in the event of involuntary liquidation, but such involuntary liquidation amount shall not exceed the price at which the shares may be sold as fixed in the resolution or resolutions creating the series;

(4) Sinking fund provisions for the redemption or purchase of shares; and

(5) The terms and conditions on which shares may be converted.

All shares of the Preferred Stock of the same series shall be identical except that shares of the same series issued at different times may vary as to the dates from which dividends thereon shall be cumulative; and all shares of the Preferred Stock, irrespective of series, shall constitute one and the same class of stock, shall be of equal rank, and shall be identical except as to the designation thereof, the date or dates from which dividends on shares thereof shall be cumulative, and the relative rights and preferences set forth above in clauses (1) through (5) of this subdivision (a), as to which there may be variations between different series. Except as may be otherwise provided by law, by subdivision (g) of this Article IV, or by the resolutions establishing any series of Preferred Stock in accordance with the foregoing provisions of this subdivision (a), whenever the presence, written consent, affirmative vote, or other action on the part of the holders of the Preferred Stock may be required for any purpose, such consent, vote or other action shall be taken by the holders of the Preferred Stock as a single body irrespective of series and shall be determined by weighing the vote cast for each share so as to reflect the involuntary liquidation amount fixed in the resolution or resolutions creating the series, such that each share shall have one vote per $100 of involuntary liquidation value.

(b) The holders of shares of the Preferred Stock of each series shall be entitled to receive dividends, when and as declared by the Board of Directors, out of any funds legally available for the payment of dividends, at the annual rate fixed and determined with respect to each series in accordance with subdivision (a) of this Article IV, and no more, payable quarterly on the first days of January, April, July and October in each year or on such other date or dates as the Board of Directors shall determine. Such dividends shall be cumulative in the case of shares of each series either from the date of issuance of shares of such series or from the first day of the current dividend period within which shares of such series shall be issued, as the Board of Directors shall determine, so that if dividends on all outstanding shares of each particular series of the Preferred Stock, at the annual dividend rates fixed and determined by the Board of Directors for the respective series, shall not have been paid or declared and set apart for payment for all past dividend periods and for the then current dividend periods, the deficiency shall be fully paid or dividends equal thereto declared and set apart for payment at said rates before any dividends on the Common Stock shall be paid or declared and set apart for payment. In the event more than one series of the Preferred Stock shall be outstanding, the Corporation, in making any dividend payment on the Preferred Stock, shall make payments ratably upon all outstanding shares of the Preferred Stock in proportion to the amount of dividends accumulated thereon to the date of such dividend payment. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments which may be in arrears.

(c) In the event of any dissolution, liquidation or winding up of the Corporation, before any distribution or payment shall be made to the holders of the Common Stock, the holders of the Preferred Stock of each series then outstanding shall be entitled to be paid out of the net assets of the Corporation available for distribution to its shareholders the respective involuntary liquidation amount for each share as fixed and determined with respect to each series in accordance with subdivision (a) of this Article IV, plus in all cases unpaid accumulated dividends thereon, if any, to the date of payment, and no more, unless such dissolution, liquidation or winding up shall be voluntary, in which event the amount which such holders shall be entitled so to be paid shall be the respective voluntary liquidation amounts per share fixed and determined with respect to each series in accordance with subdivision (a) of this Article IV, and no more. If upon any dissolution, liquidation or winding up of the Corporation, whether

voluntary or involuntary, the net assets of the Corporation available for distribution to its shareholders shall be insufficient to pay the holders of all outstanding shares of Preferred Stock of all series the full amounts to which they shall be respectively entitled as aforesaid, the entire net assets of the Corporation available for distribution shall be distributed ratably to the holders of all outstanding shares of Preferred Stock of all series in proportion to the amounts to which they shall be respectively so entitled. For the purposes of this subdivision (c), any dissolution, liquidation or winding up which may arise out of or result from the condemnation or purchase of all or a major portion of the properties of the Corporation by (1) the United States Government or any authority, agency or instrumentality thereof, (2) a State of the United States or any political subdivision, authority, agency or instrumentality thereof, or (3) a district, cooperative or other association or entity not organized for profit, shall be deemed to be an involuntary dissolution, liquidation or winding up; and a consolidation, merger or amalgamation of the Corporation with or into any other corporation or corporations shall not be deemed to be a dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary.

(d) Subject to the limitations set forth in subdivision (c) of Article V, the Preferred Stock of all series, or of any series thereof, or any part of any series thereof, at any time outstanding, may be redeemed by the Corporation, at its election expressed by resolution of the Board of Directors, at any time or from time to time, at the then applicable redemption price fixed and determined with respect to each series in accordance with subdivision (a) of this Article IV. If less than all of the shares of any series are to be redeemed, the redemption shall be made either pro rata or by lot in such manner as the Board of Directors shall determine.

In the event the Corporation shall so elect to redeem shares of the Preferred Stock, notice of the intention of the Corporation to do so and of the date and place fixed for redemption shall be mailed not less than thirty days before the date fixed for redemption to each holder of shares of the Preferred Stock to be redeemed at his address as it shall appear on the books of the Corporation, and on and after the date fixed for redemption and specified in such notice (unless the Corporation shall default in making payment of the redemption price), such holders shall cease to be shareholders of the Corporation with respect to such shares and shall have no interest in or claim against the Corporation with respect to such shares, excepting only the right to receive the redemption price therefor from the Corporation on the date fixed for redemption, without interest, upon endorsement, if required, and surrender of their certificates for such shares.

Contemporaneously with the mailing of notice of redemption of any shares of the Preferred Stock as aforesaid or at any time thereafter on or before the date fixed for redemption, the Corporation may, if it so elects, deposit the aggregate redemption price of the shares to be redeemed with any bank or trust company doing business in the City of New York, N. Y., the City of Chicago, Illinois, the City of San Francisco, California, or the City of Portland, Oregon, having a capital and surplus of at least $5,000,000, named in such notice, payable on the date fixed for redemption in the proper amounts to the respective holders of the shares to be redeemed, upon endorsement, if required, and surrender of their certificates for such shares, and on and after the making of such deposit such holders shall cease to be shareholders of the Corporation with respect to such shares and shall have no interest in or claim against the Corporation with respect to such shares, excepting only the right to exercise such redemption or exchange rights, if any, on or before the date fixed for redemption as may

have been provided with respect to such shares or the right to receive the redemption price of their shares from such bank or trust company on the date fixed for redemption, without interest, upon endorsement, if required, and surrender of their certificates for such shares.

If the Corporation shall have elected to deposit the redemption moneys with a bank or trust company as permitted by this subdivision (d), any moneys so deposited which shall remain unclaimed at the end of six years after the redemption date shall be repaid to the Corporation, and upon such repayment holders of Preferred Stock who shall not have made claim against such moneys prior to such repayment shall be deemed to be unsecured creditors of the Corporation for an amount, without interest, equal to the amount they would theretofore have been entitled to receive from such bank or trust company. Any redemption moneys so deposited which shall not be required for such redemption because of the exercise, after the date of such deposit, of any right of conversion or exchange or otherwise, shall be returned to the Corporation forthwith. The Corporation shall be entitled to receive any interest allowed by any bank or trust company on any moneys deposited with such bank or trust company as herein provided, and the holders of any shares called for redemption shall have no claim against any such interest.

Except as set forth in subdivision (c) of Article V, nothing herein contained shall limit any legal right of the Corporation to purchase or otherwise acquire any shares of the Preferred Stock.

(e) The holders of shares of the Preferred Stock shall have no right to vote in the election of directors or for any other purpose except as may be otherwise provided by law, by subdivisions (f), (g) and (h) of this Article IV, or by resolutions establishing any series of Preferred Stock in accordance with subdivision (a) of this Article IV. Holders of Preferred Stock shall be entitled to notice of each meeting of shareholders at which they shall have any right to vote, but shall not be entitled to notice of any other meeting of shareholders.

(f) If at any time dividends payable on any share or shares of Preferred Stock shall be in arrears in an amount equal to four full quarterly dividends or more per share, a default in preferred dividends for the purpose of this subdivision (f) shall be deemed to have occurred, and, having so occurred, such default shall be deemed to exist thereafter until, but only until, all unpaid accumulated dividends on all shares of Preferred Stock shall have been paid to the last preceding dividend period. If and whenever a default in preferred dividends shall occur, a special meeting of shareholders of the Corporation shall be held for the purpose of electing directors upon the written request of the holders of at least 10% of the Preferred Stock then outstanding. Such meeting shall be called by the secretary of the Corporation upon such written request and shall be held at the earliest practicable date upon like notice as that required for the annual meeting of shareholders of the Corporation and at the place for the holding of such annual meeting. If notice of such special meeting shall not be mailed by the secretary within thirty days after personal service of such written request upon the secretary of the Corporation or within thirty days of mailing the same in the United States of America by registered mail addressed to the secretary at the principal office of the Corporation, then the holders of at least 10% of the Preferred Stock then outstanding may designate in writing one of their number to call such meeting and the person so designated may call such meeting upon like notice as that required for the annual meeting of shareholders and to be held at the place for the holding of such annual

meeting. Any holder of Preferred Stock so designated shall have access to the stock books of the Corporation for the purpose of causing a meeting of shareholders to be called pursuant to the foregoing provisions of this paragraph.

At any such special meeting, or at the next annual meeting of shareholders of the Corporation for the election of directors and at each other meeting, annual or special, for the election of directors held thereafter (unless at the time of any such meeting such default in preferred dividends shall no longer exist), the holders of the outstanding Preferred Stock, voting separately as herein provided, shall have the right to elect the smallest number of directors which shall constitute at least one-fourth of the total number of directors of the Corporation, or two directors, whichever shall be the greater, and the holders of the outstanding shares of Common Stock, voting as a class, shall have the right to elect all other members of the Board of Directors, anything herein or in the Bylaws of the Corporation to the contrary notwithstanding. The terms of office, as directors, of all persons who may be directors of the Corporation at any time when such special right to elect directors shall become vested in the holders of the Preferred Stock shall terminate upon the election of any new directors to succeed them as aforesaid.

At any meeting, annual or special, of the Corporation, at which the holders of Preferred Stock shall have the special right to elect directors as aforesaid, the presence in person or by proxy of the holders of a majority of the Preferred Stock then outstanding shall be required to constitute a quorum of such stock for the election of directors, and the presence in person or by proxy of the holders of a majority of the Common Stock then outstanding shall be required to constitute a quorum of such stock for the election of directors; provided, however, that the absence of a quorum of the holders of either stock shall not prevent the election at any such meeting or adjournment thereof of directors by the other stock if the necessary quorum of the holders of such other stock shall be present at such meeting or any adjournment thereof; and, provided further, that in the absence of a quorum of holders of either stock a majority of the holders of such stock who are present in person or by proxy shall have power to adjourn the election of the directors to be elected by such stock from time to time, without notice other than announcement at the meeting, until the requisite quorum of holders of such stock shall be present in person or by proxy, but no such adjournment shall be made to a date beyond the date for the mailing of the notice of the next annual meeting of shareholders of the Corporation or special meeting in lieu thereof.

So long as a default in preferred dividends shall exist, any vacancy in the office of a director elected by the holders of the Preferred Stock may be filled at any meeting of shareholders, annual or special, for the election of directors held thereafter, and a special meeting of shareholders, or of the holders of shares of the Preferred Stock, may be called for the purpose of filling any such vacancy. So long as a default in preferred dividends shall exist, any vacancy in the office of a director elected by the holders of the Common Stock may be filled by majority vote of the remaining directors elected by the holders of Common Stock.

If and when the default in preferred dividends which permitted the election of directors by the holders of the Preferred Stock shall cease to exist, the holders of the Preferred Stock shall be divested of any special right with respect to the election of directors, and the voting power of the holders of the Preferred Stock and of the holders of the Common Stock shall revert to the status existing before the first dividend payment date on which dividends on the Preferred Stock were not paid in full, subject to

revesting in the event of each and every subsequent like default in preferred dividends. Upon the termination of any such special right, the terms of office of all persons who may have been elected directors by vote of the holders of the Preferred Stock pursuant to such special right shall forthwith terminate, and the resulting vacancies shall be filled by the majority vote of the remaining directors.

(g) So long as any shares of the Preferred Stock shall be outstanding, the Corporation shall not without the written consent or affirmative vote of the holders of at least two-thirds of the Preferred Stock then outstanding, (1) create or authorize any new stock ranking prior to the Preferred Stock as to dividends or upon dissolution, liquidation or winding up, or (2) amend, alter or repeal any of the express terms of the Preferred Stock then outstanding in a manner substantially prejudicial to the holders thereof. Notwithstanding the foregoing provisions of this subdivision (g), if any proposed amendment, alteration or repeal of any of the express terms of any outstanding shares of the Preferred Stock would be substantially prejudicial to the holders of shares of one or more, but not all, of the series of the Preferred Stock, only the written consent or affirmative vote of the holders of at least two-thirds of the total number of outstanding shares of all series so affected shall be required. Any affirmative vote of the holders of the Preferred Stock, or of any one or more series thereof, which may be required in accordance with the foregoing provisions of this subdivision (g), upon a proposal to create or authorize any stock ranking prior to the Preferred Stock or to amend, alter or repeal the express terms of outstanding shares of the Preferred Stock or of any one or more series thereof in a manner substantially prejudicial to the holders thereof may be taken at a special meeting of the holders of the Preferred Stock or of the holders of one or more series thereof called for the purpose, notice of the time, place and purposes of which shall have been given to the holders of the shares of the Preferred Stock entitled to vote upon any such proposal, or at any meeting, annual or special, of the shareholders of the Corporation, notice of the time, place and purposes of which shall have been given to holders of shares of the Preferred Stock entitled to vote on such a proposal.

(h) So long as any shares of the Preferred Stock shall be outstanding, the Corporation shall not, without the written consent or affirmative vote of the holders of at least a majority of the Preferred Stock then outstanding:

(1) issue any shares of Preferred Stock, or of any other class of stock ranking prior to or on a parity with the Preferred Stock as to dividends or upon dissolution, liquidation or winding up, unless (a) the net income of the Corporation available for the payment of dividends for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the issuance of such shares (including, in any case in which such shares are to be issued in connection with the acquisition of new property, the net income of the property so to be acquired, computed on the same basis as the net income of the Corporation) is at least equal to two times the annual dividend requirements on all shares of the Preferred Stock, and on all shares of all other classes of stock ranking prior to or on a parity with the Preferred Stock as to dividends or upon dissolution, liquidation or winding up, which will be outstanding immediately after the issuance of such shares, including the shares proposed to be issued, and (b) the gross income (defined as the sum of net income and interest charges, to securities evidencing indebtedness deducted in arriving at such net income) of the Corporation available for the payment of interest for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the issuance of such shares (including, in any case in

which such shares are to be issued in connection with the acquisition of new property, the gross income, as heretofore defined, of the property so to be acquired, computed on the same basis as the gross income, as heretofore defined, of the Corporation) is at least equal to one and one-half times the aggregate of the annual interest requirements on all securities evidencing indebtedness of the Corporation, and the annual dividend requirements on all shares of the Preferred Stock and on all shares of all other classes of stock ranking prior to or on a parity with the Preferred Stock as to dividends or upon dissolution, liquidation or winding up, which will be outstanding immediately after the issuance of such shares, including the shares proposed to be issued; or

(2) issue any shares of the Preferred Stock, or of any other class of stock ranking prior to or on a parity with the Preferred Stock as to dividends or upon dissolution, liquidation or winding up, unless the aggregate of the capital of the Corporation applicable to the Common Stock and the surplus of the Corporation (paid-in, earned or other, if any) shall be not less than the aggregate amount payable on the involuntary dissolution, liquidation, or winding up of the Corporation on all shares of the Preferred Stock, and on all shares of all other classes of stock ranking prior to or on a parity with the Preferred Stock as to dividends or upon dissolution, liquidation or winding up, which will be outstanding immediately after the issuance of such shares, including the shares proposed to be issued; provided, however, that if, for the purposes of meeting the requirements of this subparagraph (2), it shall become necessary to take into consideration any surplus of the Corporation, the Corporation shall not thereafter pay any dividends on shares of the Common Stock which would result in reducing the aggregate of the capital of the Corporation applicable to the Common Stock and the surplus of the Corporation to an amount less than the aggregate amount payable on involuntary dissolution, liquidation or winding up of the Corporation, on all shares of the Preferred Stock and of any stock ranking prior to or on a parity with the Preferred Stock, as to dividends or upon dissolution, liquidation or winding up, at the time outstanding.

In any case where it would be appropriate, under generally accepted accounting principles, to combine or consolidate the financial statements of any predecessor or subsidiary of the Corporation with those of the Corporation, the foregoing computations may be made on the basis of such combined or consolidated financial statements. Any affirmative vote of the holders of the Preferred Stock which may be required in accordance with the foregoing provisions of this subdivision (h) may be taken at a special meeting of the holders of the Preferred Stock called for the purpose, notice of the time, place and purposes of which shall have been given to the holders of the outstanding shares of the Preferred Stock, or at any meeting, regular or special, of the shareholders of the Corporation, notice of the time, place and purposes of which shall have been given to the holders of the outstanding shares of the Preferred Stock.

COMMON STOCK

(i) Subject to the limitations set forth in subdivision (b) of this Article IV (and subject to the rights of any class of stock hereafter authorized) dividends may be paid upon the Common Stock when and as declared by the Board of Directors of the Corporation out of any funds legally available for the payment of dividends.

(j) Subject to the limitations set forth in subdivision (c) of this Article IV (and subject to the rights of any other class of stock hereafter authorized), upon any dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, the net assets of the Corporation shall be distributed ratably to the holders of the Common Stock.

(k) Subject to the limitations set forth in subdivisions (f), (g), and (h) of this Article IV (and subject to the rights of any class of stock hereafter created), and except as may be otherwise provided by law, the holders of the Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes.

(l) Upon the issuance for money or other consideration of any shares of capital stock of the Corporation, or of any security convertible into capital stock of the Corporation, no holder of shares of the capital stock, irrespective of the class or kind thereof, shall have any preemptive or other right to subscribe for, purchase, or receive any proportionate or other amount of such shares of capital stock, or such security convertible into capital stock, proposed to be issued; and the Board of Directors may cause the Corporation to dispose of all or any of such shares of capital stock, or of any such security convertible into capital stock, as and when said Board may determine, free of any such right, either by offering the same to the Corporation's then shareholders or by otherwise selling or disposing of such shares or other securities, as the Board of Directors may deem advisable.

(m) The Corporation from time to time, with the approving vote of the holders of at least a majority of its then outstanding shares of Common Stock, may authorize additional shares of its capital stock, with or without nominal or par value, including shares of such other class or classes, and having such designations, preferences, rights, and voting powers, or restrictions or qualifications thereof, as may be approved by such vote and be stated in amended or restated articles of incorporation executed and filed in the manner provided by law.

(n) The provisions of subdivision (l) and of this subdivision (n) of this Article IV shall not be changed unless the holders of at least a majority of the outstanding shares of Common Stock shall consent thereto in writing, or by vote at a meeting in the notice of which action on the proposed change shall have been set forth.

## ARTICLE V.
## Designation of Series Preferred Stock

7.75% SERIES CUMULATIVE PREFERRED STOCK, WITHOUT PAR VALUE.

7.75% Series Cumulative Preferred Stock, Without Par Value of the Corporation shall consist of 300,000 shares. Such series of Preferred Stock is hereinafter referred to as "Preferred Stock of the First Series, Without Par Value." Shares of Preferred Stock of the First Series, Without Par Value shall have the following relative rights and preferences in addition to those fixed in Article IV above:

(a) The rate of dividend payable upon shares of Preferred Stock of the

First Series, Without Par Value shall be 7.75 percent per annum. Dividends upon shares of Preferred Stock of the First Series, Without Par Value shall be cumulative from the date of original issue and shall be payable on the 15th day of January, April, July and October of each year thereafter.

(b) Subject to the provisions of subdivision (d) of Article IV of the Articles, prior to June 15, 2002, and prior to June 15 in each year thereafter until June 15, 2006, so long as any of the Preferred Stock of the First Series, Without Par Value shall remain outstanding, the Corporation shall deposit with its Transfer Agent, as a Sinking Fund for the Preferred Stock of the First Series, Without Par Value, an amount sufficient to redeem a minimum of 15,000 shares of the Preferred Stock of the First Series, Without Par Value, plus an amount equal to dividends accrued thereon to each such June 15 and, in addition, the Corporation may, at its option, prior to each such June 15, deposit an amount sufficient to retire through the operation of the Sinking Fund not more than 15,000 additional shares of Preferred Stock of the First Series, Without Par Value, but the right to make such optional deposit shall not be cumulative and shall not reduce any subsequent mandatory Sinking Fund payment for the Preferred Stock of the First Series, Without Par Value, and prior to June 15, 2007 the Corporation shall deposit with its Transfer Agent, as the final Sinking Fund payment, an amount sufficient to redeem all shares of the Preferred Stock of the First Series, Without Par Value outstanding on June 15, 2007. The Corporation shall not declare or pay or set apart for, or make or order any other distribution in respect of, or purchase or otherwise acquire for value any shares of, the Common Stock of the Corporation, or any class of stock as to which the Preferred Stock of the Corporation has priority as to payments of dividends, unless all amounts required to be paid or set aside for any Sinking Fund payment to retire shares of the Preferred Stock of the First Series, Without Par Value, shall have been paid or set aside. The Corporation's Transfer Agent shall, in accordance with the provisions set forth herein, apply the moneys in the Sinking Fund to redeem (i) pro rata, or by lot if so determined by the Board of Directors, on June 15, 2002, and on June 15 in each year thereafter until June 15, 2006, shares of the Preferred Stock of the First Series, Without Par Value, and (ii) on June 15, 2007 all outstanding shares of Preferred Stock of the First Series, Without Par Value, in each case at One hundred Dollars ($100.00) per share plus dividends accrued to the date of redemption. The Corporation may, upon notice to its Transfer Agent prior to a date 45 days prior to June 15 in any year, commencing with the year 2002 through and including the year 2006, in which the Corporation shall be obligated to redeem shares of the Preferred Stock of the First Series, Without Par Value through the operation of the Sinking Fund, elect to reduce its obligation in respect of the redemption of shares required to be redeemed pursuant to the Sinking Fund by directing that any shares of the Preferred Stock of the First Series, Without Par Value previously purchased by the Corporation (other than shares purchased pursuant to the operation of the Sinking Fund or previously applied as a credit against the Sinking Fund) shall be applied as a credit, in whole or in part, in an amount equal to the aggregate liquidation value of the shares so applied, against the aggregate liquidation value of the shares required to be redeemed in such year pursuant to the operation of the Sinking Fund.

(c) The Preferred Stock of the First Series, Without Par Value shall not be subject to redemption, except pursuant to the Sinking Fund established for such Series.

(d) In the event of (i) any voluntary dissolution, liquidation or winding up of the Corporation, holders of the Preferred Stock of the First Series, Without Par Value shall be entitled to be paid out of the net assets of the Corporation available for distribution to its shareholders One Hundred Dollars ($100.00) per share, plus unpaid

accumulated dividends thereon, if any, to the date of payment, and no more, and (ii) any involuntary dissolution, liquidation or winding up of the Corporation, holders of the Preferred Stock of the First Series, Without Par Value shall be entitled to be paid out of the net assets of the Corporation One Hundred Dollars ($100.00) per share, plus unpaid accumulated dividends thereon, if any, to the date of payment, and no more.

## ARTICLE VI.
## Vacancy on Board of Directors

Any vacancy occurring on the Board of Directors, including a vacancy created by reason of an increase in the number of directors, may be filled by the affirmative vote of a majority of directors then in office, although less than a quorum, provided that so long as a default in preferred dividends shall exist, any vacancy in the office of a director elected by the holders of the Preferred Stock may be filled only as provided in subdivision (f) of Article IV.

## ARTICLE VII.
## Limitation of Liability

To the fullest extent permitted by law, no director of the Corporation shall be personally liable to the Corporation or its shareholders for monetary damages for conduct as a director. No amendment or repeal of this provision shall adversely affect any right or protection of a director existing at the time of such amendment or repeal. No change in the law shall reduce or eliminate the right and protections applicable at the time this provision became effective unless the change in law shall specifically require such reduction or elimination. If the law is amended, after this Article VII shall become effective, to authorize corporate action further eliminating or limiting the personal liability of directors, officers, employees or agents of the Corporation, then the liability of directors, officers, employees or agents of the Corporation shall be eliminated or limited to the fullest extent permitted by the law, as so amended.

## ARTICLE VIII.
## Indemnification

The Corporation may indemnify to the fullest extent permitted by law any person who is made or threatened to be made a party to, witness in, or otherwise involved in, any action, suit, or proceeding, whether civil, criminal, administrative, investigative, or otherwise (including an action, suit, or proceeding by or in the right of the Corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the Corporation or any of its subsidiaries, or a fiduciary within the meaning of the Employee Retirement Income Security Act of 1974, as amended, with respect to any employee benefit plan of the Corporation or any of its subsidiaries, or serves or served at the request of the Corporation as a director, officer, employee or agent, or as a fiduciary of an employee benefit plan, of another corporation, partnership, joint venture, trust or other enterprise. Any indemnification provided pursuant to this Article VIII shall not be exclusive of any rights to which the person indemnified may otherwise be entitled under any provision of articles of incorporation, bylaws, agreement, statute, policy of insurance, vote of shareholders or Board of Directors, or otherwise.

## ARTICLE IX.
## Shareholder Action Without a Meeting

Except as otherwise provided under these Articles of Incorporation and applicable law, and subject to restrictions on the taking of shareholder action without a meeting under applicable law or rules of a national securities association or exchange, action required or permitted by the Act to be taken at a shareholders' meeting may be taken without a meeting if the action is taken by shareholders having not less than the minimum number of votes that would be necessary to take such action at a meeting at which all shareholders entitled to vote on the action were present and voted.

# THIRD AMENDED AND RESTATED BYLAWS

# OF

# PORTLAND GENERAL ELECTRIC COMPANY

An Oregon Corporation

Date of Adoption
March 14, 2006

**THIRD AMENDED AND RESTATED BYLAWS**

**OF**

**PORTLAND GENERAL ELECTRIC COMPANY**
**(An Oregon corporation)**

## ARTICLE I

## OFFICES

1.1. Registered Office. The registered office of the corporation required by the Oregon Business Corporation Act (the "Act") to be maintained in the State of Oregon shall be CT Corporation System, 520 S.W. Yamhill, Suite 800, Portland, Oregon 97204, or such other office as may be designated from time to time by the Board of Directors in the manner provided by law.

1.2. Other Offices. The corporation may also have offices at such other places both within and without the State of Oregon as the Board of Directors may from time to time determine or the business of the corporation may require.

## ARTICLE II

## SHAREHOLDERS

2.1 Annual Meeting. The annual meeting of the shareholders shall be held on the date and at the time as fixed by the Board of Directors and stated in the notice of the meeting.

2.2 Special Meetings. Special meetings of the shareholders may be called by the Chairman of the Board, the Chief Executive Officer, the President or by the Board of Directors, and shall be called by the President (or in the event of absence, incapacity or refusal of the President, by the Secretary or any other officer) at the request of the holders of not less than 10 percent (unless the Articles of Incorporation provide otherwise) of all votes entitled to be cast on any issue proposed to be considered at the proposed special meeting. The requesting shareholders shall sign, date and deliver to the Secretary a written demand describing the purpose or purposes for holding the special meeting.

2.3 Place of Meetings. Meetings of the shareholders shall be held at the principal business office of the corporation or at such other places within or without the State of Oregon as may be determined by the Board of Directors.

2.4 Notice of Meetings. Written notices stating the date, time and place of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be mailed to each shareholder entitled to vote at the meeting at the shareholder's address shown in the corporation's current record of shareholders, with postage thereon pre-paid, not less than 10 nor more than 60 days before the date of the meeting and to nonvoting shareholders as required by law. Any previously scheduled meeting of the shareholders called by or at the direction of Board of Directors may be postponed, and (unless the Articles of

Incorporation or applicable law otherwise provide) any such meeting of the shareholders may be cancelled, by resolution of the Board of Directors upon public notice given prior to the date previously scheduled for such meeting of shareholders.

2.5 Waiver of Notice. A shareholder may at any time waive any notice required by law, the Articles of Incorporation or these Bylaws. The waiver must be in writing, be signed by the shareholder entitled to the notice and be delivered to the corporation for inclusion in the minutes for filing with the corporate records. A shareholder's attendance at a meeting waives objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting. The shareholder's attendance also waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

2.6 Record Date.

(a) For the purpose of determining shareholders entitled to notice of a shareholders' meeting, to demand a special meeting or to vote or to take any other action, the Board of Directors of the corporation may fix a future date as the record date for any such determination of shareholders, such date in any case to be not more than 70 days nor less than ten days before the meeting or action requiring a determination of shareholders. The record date shall be the same for all voting groups.

(b) A determination of shareholders entitled to notice of or to vote at a shareholders' meeting is effective for any adjournment of the meeting unless the Board of Directors fixes a new record date, which it must do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

(c) If a court orders a meeting adjourned to a date more than 120 days after the date fixed for the original meeting, it may provide that the original record date continue in effect or it may fix a new record date.

2.7 Shareholders' List for Meeting. After a record date for a meeting is fixed, the corporation shall prepare an alphabetical list of the names of all its shareholders entitled to notice of a shareholders' meeting. The list must be arranged by voting group and within each voting group by class or series of shares and show the address of and number of shares held by each shareholder. The shareholders' list must be available for inspection by any shareholder, beginning two business days after notice of the meeting is given for which the list was prepared and continuing through the meeting, at the corporation's principal office or at a place identified in the meeting notice in the city where the meeting will be held. The corporation shall make the shareholders' list available at the meeting, and any shareholder or the shareholder's agent or attorney is entitled to inspect the list at any time during the meeting or any adjournment. Refusal or failure to prepare or make available the shareholders' list does not affect the validity of action taken at the meeting.

2.8 Quorum: Adjournment. Shares entitled to vote may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. A majority of the votes entitled to be cast on the matter constitutes a quorum for action on that matter. If, however, such quorum is not present or represented at any meeting of the shareholders, then either: (i) the Chairman of the meeting, or (ii) the shareholders by the vote of the holders of a majority of votes present in person or represented by proxy at the meeting, shall have power to adjourn the meeting to a different time and place without further notice to any shareholder of any

adjournment except that notice is required if a new record date is or must be set for the new meeting. At such adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted at the meeting originally held. Once a share is represented for any purpose at a meeting, it shall be deemed present for quorum purposes for the remainder of the meeting and for any adjournment of that meeting unless a new record date is set for the adjourned meeting.

2.9 Voting Requirements. If a quorum exists, action on a matter, other than the election of directors, is approved if the votes cast by the shares entitled to vote favoring the action exceed the votes cast opposing the action, unless a greater number of affirmative votes is required by law or the Articles of Incorporation. Directors are elected by a plurality of votes cast by the shares entitled to vote in an election at a meeting at which a quorum is present. Except as provided in the Act, or unless the Articles of Incorporation provide otherwise, each outstanding share is entitled to one vote on each matter voted on at a shareholders' meeting. Unless otherwise provided in the Articles of Incorporation, cumulative voting for the election of directors shall be prohibited.

2.10 Proxies.

(a) A shareholder may vote shares in person or by proxy by signing an appointment, either personally or by the shareholder's designated officer, director, employee, agent, or attorney-in-fact. An appointment of a proxy shall be effective when received by the Secretary or other officer of the corporation authorized to tabulate votes. An appointment is valid for 11 months unless a longer period is expressly provided for in the appointment form. An appointment is revocable by the shareholder unless the appointment form conspicuously states that it is irrevocable and the appointment is coupled with an interest that has not been extinguished.

(b) The death or incapacity of the shareholder appointing a proxy shall not affect the right of the corporation to accept the proxy's authority unless notice of the death or incapacity is received by the Secretary or other officer authorized to tabulate votes before the proxy exercises the proxy's authority under the appointment.

2.11 Organization. Meetings of shareholders shall be presided over by the Chairman of the Board of Directors, if any, or in his or her absence by the Vice Chairman of the Board of Directors, if any, or in his or her absence by Chief Executive Officer, or in his or her absence by the President. The Secretary, or in his or her absence, an Assistant Secretary, or, in the absence of the Secretary and all Assistant Secretaries, a person whom the chairman of the meeting shall appoint shall act as secretary of the meeting and keep a record of the proceedings thereof.

The Board of Directors of the corporation shall be entitled to make such rules or regulations for the conduct of meetings of shareholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to shareholders of record of the corporation and their duly authorized and constituted proxies, and such other persons as the chairman shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants, and regulation of the opening and closing of the polls for balloting

and matters which are to be voted on by ballot. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of shareholders shall not be required to be held in accordance with rules of parliamentary procedure.

2.12 Inspectors of Election. Before any meeting of shareholders, the Board of Directors shall appoint one or more inspectors of election to act at the meeting or its adjournment. If any person appointed as inspector fails to appear or fails or refuses to act, then the chairman of the meeting may, and upon the request of any shareholder or a shareholder's proxy shall, appoint a person to fill that vacancy.

Such inspectors shall:

(a) determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, and the authenticity and validity of proxies and ballots;

(b) receive votes, ballots or consents;

(c) hear and determine all challenges and questions in any way arising in connection with the right to vote;

(d) count and tabulate all votes or consents;

(e) determine the result; and

(f) do any other acts that may be proper to conduct the election or vote with fairness to all shareholders.

The inspector(s) of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there is more than one (1) inspector of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is prima facie evidence of the facts stated therein.

2.13 Action Without a Meeting. Except as otherwise provided under the Articles of Incorporation and applicable law, and subject to restrictions on the taking of shareholder action without a meeting under applicable law or the rules of a national securities association or exchange, action required or permitted by law to be taken at a shareholders' meeting may be taken without a meeting if the action is taken by all shareholders entitled to vote on the action. The action will be evidenced by one or more written consents describing the action taken, signed by all the shareholders entitled to vote on the action and delivered to the corporation for inclusion in the minutes or filing with the corporate records. Action taken under this Section 2.13 is effective when the last shareholder signs the consent or consents, unless the consent or consents specify an earlier or later effective date. If not otherwise determined by law, the record date for determining shareholders entitled to take action without a meeting under this Section 2.13 is the date the first shareholder signs the consent. A consent signed under this Section 2.13 has the effect of a meeting vote and may be described as such in any document.

## ARTICLE III

## BOARD OF DIRECTORS

3.1 Duties of Board of Directors. All corporate powers shall be exercised by or under the authority of and the business and affairs of the corporation shall be managed by its Board of Directors. In addition to the powers and authorities these Bylaws expressly confer upon them, the Board of Directors may exercise all such powers of the corporation and do all such lawful acts and things as are not required by the Act, the Articles of Incorporation, or these Bylaws to be exercised or done by the shareholders.

3.2 Number, Election and Qualification. The number of directors of the corporation shall be determined from time to time by the Board of Directors. The Board of Directors may periodically change the number of directors by resolution, provided that no decrease shall have the effect of shortening the term of any incumbent director. The directors shall hold office until the next annual meeting of shareholders, and until their successors shall have been elected and qualified, until earlier death, resignation or removal or until there is a decrease in the number of directors. Directors need not be residents of the State of Oregon or shareholders of the corporation.

3.3 Regular Meetings, Election of Chairman. A regular meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of shareholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Oregon, for the holding of additional regular meetings without other notice than the resolution. At this regular meeting held after the annual meeting of shareholders, or at any other time, the Board of Directors may appoint one of its members as Chairman of the Board. The Chairman of the Board shall not be an officer of the corporation unless so designated by the Board of Directors. The Chairman of the Board of Directors shall preside at all meetings of the Board of Directors and shall perform such other duties as may be prescribed from time to time by the Board of Directors. In the absence of a Chairman of the Board of Directors, the directors then present shall select one member to act as Chairman of each meeting.

3.4 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, by a majority of the directors or, if the Chief Executive Officer is a director, by the Chief Executive Officer or, if the President is a director, by the President. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Oregon, as the place for holding any special meeting of the Board of Directors called by them.

3.5 Notice. Notice of the date, time and place of any special meetings of the Board of Directors shall be given in any manner reasonably likely to be received at least 24 hours prior to the meeting orally or in writing by mail, telephone, voice mail or any other means provided by law. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

3.6 Waiver of Notice. A director may at any time waive any notice required by law, the Articles of Incorporation or these Bylaws. A director's attendance at or participation in a meeting waives any required notice to the director of the meeting unless the director at the beginning of the meeting, or promptly upon the director's arrival, objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

3.7 Quorum. Majority Vote. Unless otherwise set forth in these Bylaws or the Articles of Incorporation, a majority of the number of directors established by the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless a greater number is required by law, the Articles of Incorporation or these Bylaws. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

3.8 Meeting by Telephone Conference: Action Without Meeting.

(a) Members of the Board of Directors may hold a board meeting by conference telephone or other communications equipment by means of which all persons participating in the meeting can simultaneously hear each other. Participation in such a meeting shall constitute presence in person at the meeting.

(b) Any action that is required or permitted to be taken by the directors at a meeting may be taken without a meeting if one or more written consents setting forth the action so taken shall be signed by each director entitled to vote on the matter. The action shall be effective on the date when the last director signs the consent, unless the consent specifies an earlier or later time. Such consent, which shall have the same effect as a unanimous vote of the directors, shall be filed with the minutes of the corporation.

3.9 Vacancies. Any vacancy, including a vacancy resulting from an increase in a number of directors, occurring on the Board of Directors may be filled by the shareholders, the Board of Directors or the affirmative vote of a majority of the remaining directors if less than a quorum of the Board of Directors or by a sole remaining director. If the vacant office is filled by the shareholders and was held by a director elected by a voting group of shareholders, then only the holders of shares of that voting group are entitled to vote to fill the vacancy. Any directorship not so filled by the directors may be filled by election at an annual meeting or at a special meeting of shareholders called for that purpose. A director elected to fill a vacancy shall be elected to serve until the next annual meeting of shareholders and until a successor shall be elected and qualified. A vacancy that will occur at a specific later date, by reason of a resignation or otherwise, may be filled before the vacancy occurs, and the new director shall take office when the vacancy occurs.

3.10 Compensation. By resolution of the Board of Directors, the directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director.

3.11 Presumption of Assent. A director of the corporation who is present at a meeting of the Board of Directors or a committee of the Board of Directors shall be deemed to have assented to the action taken unless: (a) the director's dissent to, or abstention from, the action is entered in the minutes of the meeting, (b) a written dissent or abstention to the action is filed with the presiding officer of the meeting before the adjournment thereof or forwarded by certified or registered mail to the Secretary of the corporation immediately after the adjournment of the meeting, or (c) the director objects at the beginning of the meeting, or promptly upon arrival, to the holding of the meeting or transacting business at the meeting. The right to dissent or abstention shall not apply to a director who voted in favor of the action.

3.12 Director Conflict of Interest.

(a) A transaction in which a director of the corporation has a direct or indirect interest shall be valid notwithstanding the director's interest in the transaction if: (1) the material facts of the transaction and the director's interest are disclosed or known to the Board of Directors or a committee thereof and it authorizes, approves or ratifies the transaction, (2) the material facts of the transaction and the director's interest are disclosed or known to shareholders entitled to vote and they authorize, approve or ratify the transaction, or (3) the transaction is fair to the corporation.

(b) For purposes of Section 3.12(a)(l) above, a conflict of interest transaction may be authorized, approved or ratified if it receives the affirmative vote of a majority of directors or committee members thereof, who have no direct or indirect interest in the transaction. If such a majority of such members vote to authorize, approve or ratify the transaction, a quorum is present for the purpose of taking action.

(c) For purposes of Section 3.12(a)(2) above, a conflict of interest transaction may be authorized, approved or ratified by a majority vote of shareholders entitled to vote thereon. Shares owned by or voted under the control of a director, or an entity controlled by a director, who has a direct or indirect interest in the transaction may be counted in a vote of shareholders to determine whether to authorize, approve or ratify a conflict of interest transaction.

(d) A director has an indirect interest in a transaction if another entity in which the director has a material financial interest or in which the director is a general partner is a party to the transaction or another entity of which the director is a director, officer or trustee is a party to the transaction and the transaction is or should be considered by the Board of Directors of the corporation.

3.13 Removal. The shareholders may remove one or more directors with or without cause at a meeting called expressly for that purpose, unless the Articles of Incorporation provide for removal for cause only. A director may be removed only if the number of votes cast to remove a director exceeds the number cast not to remove the director. If a director is elected by a voting group of shareholders, only those shareholders may participate in the vote to remove the director.

3.14 Resignation. Any director may resign by delivering written notice to the Board of Directors, its chairperson or the corporation. Such resignation shall be effective: (a) on receipt, (b) five days after its deposit in the United States mails, if mailed postpaid and correctly addressed, or (c) on the date shown on the return receipt, if sent by registered or certified mail, return receipt requested, and the receipt is signed by addressee, unless the notice specifies a later effective date. Once delivered, a notice of resignation is irrevocable unless revocation is permitted by the Board of Directors.

## ARTICLE IV

## COMMITTEES OF THE BOARD

4.1 Appointment. Unless the Articles of Incorporation provide otherwise, the Board of Directors may create one or more committees and appoint members of the Board of Directors

to serve on them. Each committee shall have one or more members who serve at the pleasure of the Board of Directors. A majority of all directors in office must approve the creation of a committee and the appointment of its members. The Board of Directors shall have the power at any time to increase or decrease the number of members of any committee, to fill vacancies thereon, to change any member thereof and to change the functions or terminate the existence thereof.

4.2 Limitation on Powers of a Committee. A committee shall not have or exercise any power or authority of the Board of Directors prohibited by the Act.

4.3 Conduct of Meetings. Each committee shall conduct its meetings in accordance with the applicable provisions of these Bylaws relating to meetings and action without meetings of the Board of Directors. Each committee shall adopt any further rules regarding its conduct, keep minutes and other records and appoint subcommittees and assistants as it deems appropriate and in accordance with the Act.

4.4 Compensation. By resolution of the Board of Directors, committee members may be paid reasonable compensation for services on committees and their expenses of attending committee meetings.

## ARTICLE V

## OFFICERS

5.1 Number. The Board of Directors shall appoint a President and a Secretary and other officers and assistant officers as may be deemed necessary or desirable, with such powers and duties as set forth in these Bylaws and as prescribed by the Board of Directors or the officer authorized by the Board of Directors to prescribe the duties of other officers. A duly appointed officer may appoint one or more officers or assistant officers and may prescribe the powers and duties of officers or assistant officers if such appointment and authority is authorized by the Board of Directors. Any two or more offices may be held by the same person.

5.2 Appointment and Term of Office. The officers of the corporation shall be appointed annually by the Board of Directors at the first meeting of the Board of Directors held after the annual meeting of the shareholders and at such other times as determined by the Board of Directors. If the appointment of officers shall not be held at such meeting, they shall be held as soon thereafter as is convenient. Each officer shall hold office until a successor shall have been duly appointed and shall have qualified or until the officer's death, resignation or removal in the manner hereinafter provided.

5.3 Qualification. No officer need be a director, shareholder or Oregon resident.

5.4 Resignation and Removal. An officer may resign at any time by delivering notice to the corporation. A resignation is effective on receipt unless the notice specifies a later effective date. If the corporation accepts a specified later effective date, the Board of Directors may fill the pending vacancy before the effective date but the successor may not take office until the effective date. Once delivered, a notice of resignation is irrevocable unless revocation is permitted by the Board of Directors. Any officer appointed by the Board of Directors may be removed from the officer position at any time with or without cause. Appointment of an officer shall not of itself create contract rights. Removal or resignation of an officer shall not affect the contract rights, if any, of the corporation or the officer.

5.5 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

5.6 Chairman of the Board. The Chairman of the Board of Directors shall preside at all meetings of the Board of Directors and shall perform such other duties as may be prescribed from time to time by the Board of Directors.

5.7 President. Unless otherwise determined by the Board of Directors, the President shall be the Chief Executive Officer of the corporation and shall be in general charge of its business and affairs, subject to the control of the Board of Directors. The President shall from time to time report to the Board of Directors all matters within the President's knowledge affecting the corporation that should be brought to the attention of the Board of Directors. The President shall have authority to vote all shares of stock in other corporations owned by the corporation and to execute proxies, waivers of notice, consents and other instruments in the name of the corporation with respect to such stock and has authority to delegate this authority to any other officer. The President shall perform such other duties as may be prescribed by the Board of Directors. The President has authority to sign stock certificates representing the shares of the corporation.

5.8 Secretary. The Secretary shall keep the minutes of all meetings of the directors and shareholders and shall have custody of the minute books and other records pertaining to the corporate business. The Secretary shall countersign all stock certificates and other instruments requiring the seal of the corporation and shall perform such other duties assigned by the Board of Directors.

5.9 Vice President. Each Vice President shall perform the duties and responsibilities prescribed by the Board of Directors or the President. The Board of Directors or the President, as Chief Executive Officer, may confer a special title upon a Vice President.

5.10 Treasurer. The Treasurer shall keep correct and complete records of accounts showing the financial condition of the corporation. The Treasurer shall be legal custodian of all moneys, notes, securities and other valuables that may come into the possession of the corporation. The Treasurer shall deposit all funds of the corporation that come into the Treasurer's hands in depositories that the Board of Directors may designate. The Treasurer shall pay the funds out only on the check of the corporation signed in the manner authorized by the Board of Directors. The Treasurer shall perform such other duties as assigned by the Board of Directors.

## ARTICLE VI

## INDEMNIFICATION

6.1 Directors and Officers. The corporation shall indemnify to the fullest extent not prohibited by applicable law each current or former officer or director who is made, or threatened to be made, a party to an action, suit or proceeding, whether civil, criminal, administrative, investigative or otherwise (including an action, suit or proceeding by or in the right of the corporation) by reason of the fact that the person is or was acting as a director, officer or agent of the corporation or as a fiduciary within the meaning of the Employee Retirement Income Security Act of 1974 with respect to any employee benefit plan of the corporation, or serves or served at the request of the corporation as a director or officer, or as a fiduciary of an

employee benefit plan, of another corporation, partnership, joint venture, trust or other enterprise. The indemnification specifically provided hereby shall not be deemed exclusive of any other rights to which such person may be entitled under any bylaw, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in the official capacity of the person indemnified and as to action in another capacity while holding such office.

6.2 Employees and Other Agents. The corporation shall have power to indemnify its employees and other agents as set forth in the Act.

6.3 No Presumption of Bad Faith. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal proceeding, that the person had reasonable cause to believe that the conduct was unlawful.

6.4 Advances of Expenses. The expenses incurred by a director or officer in any proceeding shall be paid by the corporation in advance at the written request of the director or officer, if the director or officer:

(a) furnishes the corporation a written affirmation of such person's good faith belief that such person has met the standard of conduct required by the Act and is entitled to be indemnified by the corporation; and

(b) furnishes the corporation a written undertaking to repay such advance to the extent that it is ultimately determined by a court that such person is not entitled to be indemnified by the corporation. Such advances shall be made without regard to the person's ability to repay such expenses, and without regard to the person's ultimate entitlement to indemnification under this Article VI or otherwise.

6.5 Enforcement. Without the necessity of entering into an express contract, all rights to indemnification and advances under this Article VI shall be deemed to be contractual rights and to be effective to the same extent and as if provided for in a contract between the corporation and the director or officer who serves in such capacity at any time while this Article VI and relevant provisions of the Act and other applicable law, if any, are in effect. Any right to indemnification or advances granted by this Article VI to a director or officer shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if: (a) the claim for indemnification or advances is denied, in whole or in part, or (b) no disposition of such claim is made within ninety (90) days of request therefor. The claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting a claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in connection with any proceeding in advance of its final disposition when the required affirmation and undertaking have been tendered to the corporation) that the claimant has not met the standards of conduct which make it permissible under the Act for the corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its shareholders) to have made a determination prior to a commencement of such action that indemnification of the claimant is proper in the circumstances because the claimant has met the applicable standard of conduct set forth in the Act, nor an actual determination by the corporation (including its Board

of Directors, independent legal counsel or its shareholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

6.6 Non-Exclusivity of Rights. The right conferred on any person by this Article VI shall not be exclusive of any other right which such person may have or hereafter acquire under any statute, provision of the Articles of Incorporation, bylaws, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in the person's official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent permitted by applicable law.

6.7 Survival of Rights. The right conferred on any person by this Article VI shall continue as to a person who has ceased to be a director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

6.8 Insurance. To the fullest extent permitted by the Act, the corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this Article VI.

6.9 Amendments. Any repeal of or modification or amendment to this Article VI shall only be prospective and no repeal or modification hereof shall adversely affect the rights under this Article VI in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

6.10 Savings Clause. If this Article VI or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, the corporation shall indemnify each director and officer to the fullest extent permitted by any applicable portion of this Article VI that shall not have been invalidated, or by any other applicable law.

6.11 Certain Definitions. For the purposes of this Article VI, the following definitions shall apply:

(a) The term "proceeding" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement and appeal of any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative;

(b) The term "expenses" shall be broadly construed and shall include, without limitation, expense of investigations, judicial or administrative proceedings or appeals, attorneys' fees and disbursements and any expenses of establishing a right to indemnification under Section 6.5 of this Article VI, but shall not include amounts paid in settlement by the indemnified party or the amount of judgments or fines against the indemnified party;

(c) The term "corporation" shall include, in addition to the resulting or surviving corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or

agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article VI with respect to the resulting or surviving corporation as the person would have with respect to such constituent corporation if its separate existence had continued;

(d) References to a "director," "officer," "employee," or "agent" of the corporation shall include, without limitation, situations where such person is serving at the request of the corporation as a director, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise; and

(e) References to "other enterprises" shall include employee benefit plans; references to "fines" in the Act shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involved services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner the person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this Article VI.

## ARTICLE VII

## ISSUANCE OF SHARES

7.1 Certificate for Shares.

(a) Certificates representing shares of the corporation shall be in such form as shall be determined by the Board of Directors. Such certificates shall be signed, either manually or in facsimile, by two officers of the corporation, at least one of whom shall be the Chief Executive Officer, President or a Vice President and by the Secretary or an Assistant Secretary and may be sealed with the seal of the corporation or a facsimile thereof. All certificates or shares shall be consecutively numbered or otherwise identified.

(b) Every certificate for shares of stock that are subject to any restriction on transfer pursuant to the Articles of Incorporation, the Bylaws, applicable securities laws, agreements among or between shareholders or any agreement to which the corporation is a party shall have conspicuously noted on the face or back of the certificate either the full text of the restriction or a statement of the existence of such restriction and that the corporation retains a copy of the restriction. Every certificate issued when the corporation is authorized to issue more than one class or series of stock shall set forth on its face or back either the full text of the designations, relative rights, preferences and limitations of the shares of each class and series authorized to be issued and the authority of the Board of Directors to determine variations for future series or a statement of the existence of such designations, relative rights, preferences and limitations and a statement that the corporation will furnish a copy thereof to the holder of such certificate upon written request and without charge.

(c) The name and mailing address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. Each shareholder shall have the duty to notify the corporation of his or her mailing address. All certificates surrendered to the corporation for transfer shall be canceled, and no new certificates shall be issued until a former certificate for a

like number of shares shall have been surrendered and canceled, except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the corporation as the Board of Directors prescribes.

7.2 Transfer of Shares. Transfer of shares of the corporation shall be made only on the stock transfer books of the corporation by the holder of record thereof or by the holder's legal representative, who shall furnish proper evidence of authority to transfer, or by the holder's attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the corporation. The person in whose name shares stand on the books of the corporation shall be deemed by the corporation to be the owner thereof for all purposes.

7.3 Transfer Agent and Registrar. The Board of Directors may from time to time appoint one or more Transfer Agents and one or more Registrars for the shares of the corporation, with such powers and duties as the Board of Directors determines by resolution. The signature of officers upon a certificate may be facsimiles if the certificate is manually signed on behalf of a Transfer Agent or by a Registrar other than the corporation itself or an employee of the corporation.

7.4 Officer Ceasing to Act. If the person who signed a share certificate, either manually or in facsimile, no longer holds office when the certificate is issued, the certificate is nevertheless valid.

7.5 Fractional Shares. The corporation shall not issue certificates for fractional shares.

## ARTICLE VIII

## CONTRACTS, LOANS, CHECKS AND OTHER INSTRUMENTS

8.1 Contracts. The Board of Directors may authorize any officer or officers and agent or agents to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

8.2 Loans. No loans shall be contracted on behalf of the corporation and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

8.3 Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money and notes or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers and agent or agents of the corporation and in such manner as shall from time to time be determined by the Board of Directors.

## ARTICLE IX

## MISCELLANEOUS PROVISIONS

9.1 Seal. The seal of the corporation, if any, shall be circular in form and shall have inscribed thereon the name of the corporation and the state of incorporation and the words "Corporate Seal."

9.2 Severability. Any determination that any provision of these Bylaws is for any reason inapplicable, invalid, illegal or otherwise ineffective shall not affect or invalidate any other provision of these Bylaws.

## ARTICLE X

## AMENDMENTS

These Bylaws may be amended or repealed and new Bylaws may be adopted by the Board of Directors or the shareholders of the corporation.

Exhibit E

Portland General Electric Company and Subsidiaries
Consolidated Balance Sheets
(Unaudited)
For the Twelve Months Ended December 31, 2005

**PLEASE REFER TO EXHIBIT "H"**

Exhibit F

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 PGC's 1997 merger 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 December 31, 2005, the remaining balance to be collected was approximately $1 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. Briefing and oral arguments have been completed and 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 and a decision is pending.

On 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. Under Oregon law, there is no requirement as to the time the lawsuit must be filed following the 30-day notice period. 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 and cash flows 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 alleged 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 sought judgment against PGE for restitution of MCBIT collected from customers plus 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 May 23, 2005, the Court granted PGE's motion for a stay for all purposes until the OPUC's issuance of a declaratory ruling in response to questions by PGE as to whether OPUC rules authorized PGE collections of the MCBIT and whether any refunds to customers were controlled by an OPUC three-year limitation for billing adjustments. On October 5, 2005, the OPUC issued an order that determined that Commission rules authorized PGE collections of the MCBIT from Multnomah County customers but did not require that PGE calculate them in any particular way. Because the OPUC did not find that PGE had violated its rule, the Commission did not answer whether its three-year limitation on billing adjustments applied.

On December 28, 2005, the parties agreed to a settlement by which PGE will make refunds and payments totaling $10 million, inclusive of interest and plaintiffs' attorney fees, costs, and expenses as approved by the Court's final order. The settlement includes no admission of liability or wrongdoing by PGE. Distribution to customers is limited to amounts collected during the period 1999 through 2005. PGE established a reserve of $10 million in 2005 related to the settlement. The settlement is subject to final approval by the Multnomah County Circuit Court following a hearing currently scheduled for late July 2006.

**Complaint and Application for Deferral-Income Taxes -** On October 5, 2005, the URP and Ken Lewis (Complainants) filed a Complaint with the OPUC alleging that, since September 2, 2005 (the effective date of Oregon Senate Bill 408), PGE's rates are not just and reasonable and are in violation of Senate Bill 408 because they contain approximately $92.6 million in annual charges for state and federal income taxes that are not being paid to any government. The Complaint requests that the OPUC order the creation of a deferred account for all amounts charged to ratepayers since September 2, 2005 for state and federal income taxes, less amounts actually paid by or on behalf of PGE to the federal and state governments for income taxes.

Also on October 5, 2005, the Complainants filed an Application for Deferred Accounting with the OPUC, claiming that PGE is charging ratepayers $92.6 million annually for federal and state income taxes that is not being paid, and that such charges are not fair, just and reasonable. The Application for Deferred Accounting requests that revenue due to the estimated PGE liabilities for federal and state income taxes, less any amounts of federal and state income taxes paid by PGE or on behalf of PGE, be deferred for later incorporation in rates.

In December 27, 2005, the OPUC issued a Joint Ruling to hold the Complaint and Deferred Accounting application in abeyance pending rehearing of an order previously issued by the OPUC in a rate proceeding involving another Oregon electric utility. Management cannot predict the ultimate outcome of these matters or estimate any potential loss.

**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. 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. A decision is pending. Management cannot predict the ultimate outcome of this matter or estimate any potential loss.

Exhibit G

Portland General Electric Company and Subsidiaries
Consolidated Statement of Income
(Unaudited)
For the Twelve Months Ended December 31, 2005

**PLEASE REFER TO EXHIBIT "H"**

Exhibit H

Portland General Electric Company and Subsidiaries
Consolidated Statement of Retained Earnings
(Unaudited)
For the Twelve Months Ended December 31, 2005
(Millions of Dollars)

Either a gain or loss could be generated on the sale of the Development Assets. Whether a gain or loss will be dictated by the timing of any sale and the nature of PGE expenditures made to the date of the sale. In general, the sales price will equal PGE's out-of-pocket third party costs related to the Development Assets sold. PGE will likely capitalize internal labor costs which would not be recovered through the proceeds of any sale. PGE payments to landowners under the terms of the land easement agreements will likely be expensed, however, those costs are recoverable through the proceeds of any sale. In addition, the terms of the Agreement call for a payment of up to $1.0 million over and above PGE's out-of-pocket third party costs attributable to any Development Assets sold in the event that PGE has constructed at least Phase 1 of the project. As a result, it is unknown at this time whether a gain or loss would be generated from any such sale.

Property Sale Application of PGE
April 14, 2006

Exhibit J

Proposed Journal Entry

Exhibit J

**PORTLAND GENERAL ELECTRIC COMPANY**
**PROPOSED JOURNAL ENTRIES**

Original costs are initially recorded in FERC 183, Preliminary survey and investigation charges and FERC 107, Construction work in progress. If construction results, amounts previously recorded in FERC 183 are transferred into FERC 107. Once the assets are placed in service, the original costs are closed to FERC 101, Electric plant in service.

If a sale occurs prior to placing the assets in service, the original costs recorded in FERC 183 and FERC 107 will be credited.

| | **Debit** | **Credit** |
|---|---|---|
| FERC 131, Cash | $x | |
| FERC 183, Preliminary survey and investigation charges | | $x |
| FERC 107, Construction work in progress | | $x |

To record sale of assets