



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

November 14, 2006

**Via E-Filing and US Mail**

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

Attention: **Commission Filing Center:**

Re: **UP-\_\_** Application for Approval to Sell Tradable Renewable Energy Credits (TRCs)

Enclosed is the original signed Application for approval to sell Tradable Renewable Energy Credits (TRCs) that PGE has, and will have, which are not yet reported in our energy mix, and are not owned for any required program. PGE provided an E-filed copy this date.

We ask that this Application be placed on the docket for consideration at the Commission's December 19, 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 or Sharon Noell at (503) 464-7003. Please direct all formal correspondence, questions, or requests to the following e-mail address [pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com).

Sincerely,

**/s/ Patrick G. Hager**

Patrick G. Hager  
Manager, Regulatory Affairs

PGH/lbh

encls.

BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

UP \_\_\_\_\_

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

Pursuant to ORS 757.480 and OAR 860-27-0025, Portland General Electric Company (“PGE”) seeks: 1) authorization from the Oregon Public Utility Commission (“Commission”) to sell Tradable Renewable Energy Credits (“TRCs”); 2) an accounting order to record all proceeds and fees, related to net proceeds from TRC sales in the property sale deferred account; and 3) an effective date no later than December 19, 2006.

A. Background

A TRC represents the beneficial environmental attributes of one MWh generated from a specific renewable source. TRCs are characterized by the number of MWh generated, annual vintage, and resource type (e.g., “5,000 vintage 2005 Oregon wind TRCs” or “10,000 vintage 2006 California eligible TRCs”). Renewable energy generators provide written attestations to PGE that show the energy source and the number of MWh generated during specific periods.

TRCs are created as renewable power is generated. They represent the renewable attributes of the renewable power. There is increasing interest in purchasing TRCs due to new consumer demand, corporate commitments, and regulations such as Renewable Portfolio Standards (RPS).

PGE has and may acquire TRCs. PGE purchases certain quantities of renewable energy that are accompanied by TRCs, which are currently obtained from the Vansycle Ridge Wind Farm and from the Klondike II wind generating facility. Further, additional TRCs will be

available when Phase I of the Biglow Canyon wind generation facility becomes operational.

PGE expects to market TRCs from 2006 and forward, which would include TRCs from Vansycle Ridge, Klondike II, and our Biglow Canyon wind generation facility. Upon sale of TRCs, PGE plans to record the proceeds (less fees) in the property sale deferred account for later refund to customers.

Prices can vary significantly, depending on the energy source and generation dates associated with a TRC. PGE expects to make up to 4 transactions per year, and most transactions will be less than \$1 million. Thus, PGE requests authorization to make individual TRC transactions with values up to \$1 million.

For individual transactions greater than \$1 million, PGE will file an amended application to request Commission authority. For each such amended application, PGE asks the Commission to assign a single docket number, which will be amended by numbering the applications for each subsequent sale requiring approval in the following manner, Docket No. \_\_\_(1), etc.

PGE also retains certain quantities of TRCs which we do not intend to sell, including those acquired for our current Renewable Portfolio Options (approximately 350,000 MWh per year) and those which we have previously reported pursuant to Oregon Administrative Rule 860-038-0300 as wind. On January 1, 2007, PGE will begin to retire other TRCs for our Stable Rate Pilot Program (associated with up to 5 MWa per year of Klondike II delivered energy, related to PGE's Tariff Schedule 9).

#### B. Requested Approval

PGE seeks approval to sell groups of TRCs with a value less than \$1 million, as opportunities occur. To maximize the value of this effort, PGE requires flexibility to timely respond to inquiries from purchasers. For transactions with sales value greater than \$1 million,

PGE will seek specific approval for each sale by amending this application. PGE will record all proceeds and fees for these transactions in the property sales account for later refund to customers.

### C. Reporting Requirements

These sales will be included in the periodic reports of property sales, currently submitted every six months. In addition, PGE plans to report on this activity at our Quarterly Power Cost Update meetings, and as other discussion opportunities occur.

#### I. **Required Information Under OAR 860-027-0025(1)**

Pursuant to the requirements of OAR 860-027-0025, PGE represents as follows:

(a) *The exact name and address of the utility's principal business office:* Portland General Electric Company, 121 SW Salmon Street, Portland, Oregon 97204.

(b) *The state in which incorporated, the date of incorporation, and the other states in which authorized to transact utility operations:* PGE is a corporation organized and existing under and by the laws of the State of Oregon. The date of its incorporation is July 25, 1930. PGE is authorized to transact business in the states of Oregon, 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 Rates & Regulatory Affairs Portland General Electric Company 121 SW Salmon Street, 1WTC-0702 Portland, OR 97204 (503) 464-7857 (telephone) (503) 464-7651 (fax) pge.opuc.filings@pgn.com	J. Richard George Assistant General Counsel Portland General Electric Company 121 SW Salmon Street, 1WTC-1301 Portland, OR 97204 (503) 464-7611 (telephone) (503) 464-2200 (fax) richard.george@pgn.com
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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](mailto:Patrick.Hager@pgn.com), and

Sharon Noell, Regulatory Analyst  
E-Mail: [Sharon.Noell@pgn.com](mailto:Sharon.Noell@pgn.com)

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

As of September 30, 2006, the following are the principal officers of PGE:

<u>Name</u>	<u>Title</u>
Peggy Y. Fowler	President and Chief Executive Officer
James J. Piro	Executive Vice President Finance, CFO & Treasurer
Stephen R. Hawke	Senior Vice President
Arleen N. Barnett	Vice President
Carol Dillin	Vice President
Cambell A. Henderson	Vice President and Chief Information Officer
Ronald W. Johnson	Vice President
Pamela G. Lesh	Vice President
James 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

(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 September 30, 2006, the date of PGE’s last major SEC filing (10-Q):

	<u>Outstanding Shares</u>	<u>Amount (\$000s)</u>
Cumulative Preferred Stock: *		
None	0	\$0
Common Stock:		
No Par Value	62,502,400	\$642,000
(80,000,000 shares authorized):		

\* 34,489,658 shares are held by the Disputed Claims Reserve. Company Directors hold 2,400 shares. Harbinger Capital Partners Master Fund I, Ltd. reported to the Securities and Exchange Commission in its Schedule 13 G filed May 4, 2006, that it holds 4,625,000 shares.

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 long-term debt as of September 30, 2006 is as follows:

Description	Authorized (\$000s)	Outstanding (\$000s)
<b>First Mortgage Bonds</b>		
MTN ser IV due 6-15-2007 7.15%	50,000	50,000
5.6675% series due 10-25-2012	100,000	100,000
5.279% series due 4/1/2013	50,000	50,000
6.26% series due 5-1-2031	100,000	100,000
6.31% series due 5-1-2036	175,000	175,000
5.625% series VI due 8-1-2013	50,000	50,000
MTN series due 8-11-2021 9.31%	20,000	20,000
6.75% series VI due 8-1-2023	50,000	50,000
6.875% series VI due 8-1-2033	<u>50,000</u>	<u>50,000</u>
<b>Total First Mortgage Bonds</b>	<b>645,000</b>	<b>645,000</b>
<b>Pollution Control Bonds</b>		
<b>City of Forsyth</b>		
5.45% ser B 5-1-2033	21,000	21,000
2.20% ser A 5-1-2033	97,800	97,800
<b>Port of Morrow</b>		
5.20% ser A 5-1-2033	23,600	23,600
<b>Port of St Helens</b>		
4.80% series due 4-01-2010	20,200	20,200
6-01-10 variable rate	16,700	16,700
5.25% series due 8-1-2014	9,600	9,600
7.15% series due 12-15-20	<u>5,100</u>	<u>5,100</u>
<b>Total Pollution Control Bonds</b>	<b>194,000</b>	<b>194,000</b>
<b>Other Long Term Debt</b>		
Conservation Bonds 6.91%	75,000	928
7.875% notes due 2010	150,000	149,250
Capital lease obligations	0	0
Long-Term Contracts	77	77
Unamortized Debt Discount and Other	<u>-1,059</u>	<u>-1,059</u>
<b>Total Other Long-Term Debt</b>	<b>224,017</b>	<b>149,196</b>
<b>Less: Maturities and Sinking Funds</b>		
First Mortgage Bond Principal	50,000	50,000
<b>Other Long-Term Debt</b>	<u>928</u>	<u>928</u>
<b>Total Current Liabilities</b>	<b>50,928</b>	<b>50,928</b>

Description	Authorized (\$000s)	Outstanding (\$000s)
Total Long-Term Debt	1,012,089	937,267

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 requests approval to sell TRCs, with sale value less than \$1 million, as opportunities occur; and to record the proceeds and fees from such sales in the property sales deferred account for later return to customers. The value of each sale will be determined by good faith negotiation via a broker.

(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:* Items to be disposed are TRCs associated with the generation of renewable power, which are considered available for sale until reported in our generation mix. These sales will not likely include TRCs associated with all of the operating facilities of PGE or the other parties to the transactions.

(j) *A statement by primary account of the cost of the facilities and applicable depreciation reserve involved in the sale, lease, or other disposition, merger or consolidation, or acquisition of property of another utility, and a statement indicating where all existing data and records may be found:* No facilities cost or depreciation reserves are involved in the sales of TRCs.



(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:* PGE reviewed the state and federal regulations and found no required application at this time to any federal or other state regulatory body with respect to the sale of TRC transactions.

(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:* PGE's proposal enables PGE to sell TRCs and to defer net proceeds from such sales for later return to customers. Thus, customer electric bills will be lower than they would be without the proposal.

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

(n) *The amount of stock, bonds, or other securities, now owned, held or controlled by applicant, of the utility from which stock or bonds are proposed to be acquired:* 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.

## **II. Required Exhibits Under OAR 860-027-0025(2)**

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

***EXHIBIT A.*** *A copy of the charter or articles of incorporation with amendments to date:*

Articles of Incorporation as amended (Previously filed in Docket UP 234 and by reference

made a part of this application.)

**EXHIBIT B.** *A copy of the bylaws with amendments to date: Bylaws as Amended and Restated (Previously filed in Docket UF-4231 and by reference made a part of this application.)*

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

**EXHIBIT D.** *Copies of all mortgages, trust, deeds, or indentures, securing any obligation of each party to the transaction: None (no such documents are related to this application).*

**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: Exhibit I provides a draft contract that PGE expects to use in its agreements, subject to negotiated final terms.

***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: Exhibit K is a template of the certification that PGE expects to issue with sold TRCs, subject to negotiation outcomes.

Dated this \_\_\_th day of November, 2006.

Respectfully submitted,

**/s/ Patrick G. Hager**

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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  
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**Portland General Electric Company and Subsidiaries**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

in millions	<u>9/30/06</u>	<u>Adjust- ment</u>	<u>Adjusted Total</u>
<b>Assets</b>			
<b>Electric Utility Plant - Original Cost</b>			
Utility plant (includes construction work in progress of \$361 and \$177)	4,504.00		4,504.00
Accumulated depreciation	(1,850.00)		(1,850.00)
	<u>2,654.00</u>		<u>2,654.00</u>
<b>Other Property and Investments</b>			
Nuclear decommissioning trust, at market value	39.00		39.00
Non-qualified benefit plan trust	68.00		68.00
Miscellaneous	25.00		25.00
	<u>132.00</u>		<u>132.00</u>
<b>Current Assets</b>			
Cash and cash equivalents	50.00	0.96	50.96
Accounts and notes receivable (less allowance for uncollectible accounts of \$49 and \$50)	168.00		168.00
Unbilled revenues	57.00		57.00
Assets from price risk management activities	74.00		74.00
Inventories, at average cost	64.00		64.00
Margin deposits	23.00		23.00
Prepayments and other	41.00		41.00
Deferred income taxes	26.00		26.00
	<u>503.00</u>		<u>503.96</u>
<b>Deferred Charges</b>			
Regulatory assets	268.00		268.00
Miscellaneous	108.00		108.00
	<u>376.00</u>		<u>376.00</u>
	<u>3,665.00</u>		<u>3,665.00</u>
<b>Capitalization and Liabilities</b>			
<b>Capitalization</b>			
Common stock equity:			
Common stock, no par value, 80,000,000			
shares authorized; 62,502,400 shares outstanding	642.00		642.00
Retained earnings	561.00		561.00
Accumulated other comprehensive income (loss):			
Unrealized loss on derivatives classified as cash flow hedges	(2.00)		(2.00)
Minimum pension liability adjustment	(3.00)		(3.00)
Long-term debt	937.00		937.00
	<u>2,135.00</u>		<u>2,135.00</u>
<b>Commitments and Contingencies (see Notes)</b>			
<b>Current Liabilities</b>			
Long-term debt due within one year	67.00		67.00
Accounts payable and other accruals	201.00		201.00
Liabilities from price risk management activities	139.00		139.00
Customer deposits	5.00		5.00
Accrued interest	18.00		18.00
Accrued taxes	50.00		50.00
Dividends payable	14.00		14.00
Deferred income taxes	-		-
	<u>494.00</u>		<u>494.00</u>
<b>Other</b>			
Deferred income taxes	263.00		263.00
Deferred investment tax credits	8.00		8.00
Trojan asset retirement obligation	108.00		108.00
Accumulated asset retirement obligation	26.00		26.00
Regulatory liabilities:			
Accumulated asset retirement removal costs	400.00		400.00
Other	118.00	0.96	118.96
Non-qualified benefit plan liabilities	81.00		81.00
Miscellaneous	32.00		32.00
	<u>1,036.00</u>		<u>1,036.96</u>
	<u>3,665.00</u>		<u>3,665.00</u>

PGE expects none of the subject transactions to affect fixed capital or plant schedules. Because RECs show no value in inventory, no balance sheet effects are expected from these transactions.

**Portland General Electric Company and Subsidiaries**  
**Condensed Consolidated Statements of Income**  
**(Unaudited)**  
(Dollars In Millions, Except per Share Amounts)

	<u>Three Months</u> <u>Ended</u> <u>9/30/06</u>	<u>Adjust-</u> <u>ment</u>	<u>Adjusted</u> <u>Total</u>
<b>Operating Revenues</b>	\$ 372.00	0.96	\$ 372.96
<b>Operating Expenses</b>			
Purchased power and fuel	198.00		198.00
Production and distribution	34.00		34.00
Administrative and other	40.00		40.00
Depreciation and amortization	55.00	0.96	55.96
Taxes other than income taxes	19.00		19.00
Income taxes	6.00		6.00
	<u>352.00</u>		<u>352.96</u>
<b>Net Operating Income</b>	<u>20.00</u>		<u>20.00</u>
<b>Other Income (Deductions)</b>			
Miscellaneous	7.00		7.00
Income taxes	-		-
	<u>7.00</u>		<u>7.00</u>
<b>Interest Charges</b>			
Interest on long-term debt and other	<u>17.00</u>		<u>17.00</u>
<b>Net Income (Loss)</b>	<u>\$ 10.00</u>		<u>10.00</u>
<b>Common Stock:</b>			
Weighted-average shares outstanding (thousands),	62,500.00		62,500.00
Weighted-average shares outstanding (thousands),	62,505.00		62,505.00
Earnings per share, Basic and Diluted	\$ 0.16		0.16
Dividends Declared per Share	\$ 0.23		0.23

PGE expects none of the subject transactions to materially affect income statement

**Portland General Electric Company and Subsidiaries**  
**Condensed Consolidated Statements of Retained Earnings**  
**(Unaudited)**

	<b>Three Months 9/30/2006 (In Millions)</b>	<b>Adjust- ments</b>	<b>Adjusted Total</b>
<b>Balance at Beginning of Period (restated, see Note 10)</b>	\$ 565		\$ 565
<b>Net Income (Loss)</b>	10		10
	575		575
<b>Dividends Declared - Common Stock</b>	14		14
<b>Balance at End of Period</b>	\$ 561		\$ 561

PGE expects that retained earnings will be unaffected.

**Accounting treatment for sale proceeds and fees.**

**(000's)**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
1	To record proceeds and expenses associated with the sale of Renewable Energy Credits		
131	Cash	1000	
186	Miscellaneous deferred debits		1000
131	Cash		40
186	Miscellaneous deferred debits (cost of sales)	40	
2	To record the deferred gain associated with sale of Renewable Energy Credits		
186	Miscellaneous deferred debits	960	
411.6	Gain on disposition of utility property (REC)		960
407.3	Regulatory Debits	960	
254	Other Regulatory Liabilities		960

These entries based on \$1million in sales, less 4% in fees, for \$0.96 million net proceeds

## **Exhibit “F” – Statement of Contingent Liabilities**

**Trojan Investment Recovery** - In 1993, following the closure of the Trojan Nuclear Plant as part of its least cost planning process, 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. 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 reviews were subsequently filed in the Marion County 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 Oregon 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, the OPUC, and URP each requested the Oregon Supreme Court to conduct a review of the Court of Appeals decision. On November 19, 2002, the Oregon Supreme Court dismissed the petitions for review. As a result, the 1998 Oregon Court of Appeals opinion stands and the case has been remanded to the OPUC (1998 Remand).

In 2000, while the petitions for review of the 1998 Court of Appeals decision were pending at the Oregon Supreme Court, PGE, CUB, and the staff of the OPUC entered into agreements to settle the litigation related to PGE's recovery of, and return on, its investment in the Trojan plant. URP did not participate in the settlement. The settlement, which was approved by the OPUC in September 2000, allowed PGE to remove from its balance sheet the remaining before-tax investment in Trojan of approximately \$180 million at September 30, 2000, along with several largely offsetting regulatory liabilities. The largest of such amounts consisted of before-tax credits of approximately \$79 million in customer benefits related to the previous settlement of power contracts with two other utilities and the approximately \$80 million remaining credit due customers under terms of the 1997 merger of the Company's parent corporation at the time (Portland General Corporation) with Enron. The settlement also allowed 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; it is estimated that such amount will be substantially recovered from PGE customers by the end of 2006. 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 OPUC'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 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 (2003 Remand). The opinion does not specify the amount or timeframe of any reductions or refunds. PGE and the OPUC have filed appeals of the Marion County Circuit Court decision to the Oregon Court of Appeals.

The OPUC combined the 1998 Remand and the 2003 Remand into one proceeding and is considering the matter in phases. The first phase addresses what rates would have been if the OPUC had interpreted the law to prohibit a return on the Trojan investment. The subsequent phases will address reconciling the results of the first phase with actual rates, and adjusting rates to the extent necessary. A decision is pending in the first phase of the proceeding.

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, together with the Current Class, the Class Action Plaintiffs). 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 December 14, 2004, the Judge granted the Class Action Plaintiffs' motion for Class Certification and Partial Summary Judgment and denied PGE's motion for Summary Judgment. 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 August 31, 2006, the



Oregon Supreme Court issued a ruling on PGE's Petitions for Alternative Writ of Mandamus, abating the class action proceedings until the OPUC responds to the 2003 Remand (described above). The Oregon Supreme Court concluded that the OPUC has primary jurisdiction to determine what, if any, remedy it can offer to PGE customers, through rate reductions or refunds, for any amount of return on the Trojan investment PGE collected in rates for the period from April 1995 through October 2000. The Supreme Court further stated that if the OPUC determines that it can provide a remedy to PGE's customers, then the class action proceedings may become moot in whole or in part, but if the OPUC determines that it cannot provide a remedy, and that decision becomes final, the court system may have a role to play. The Supreme Court also ruled that the plaintiffs retain the right to return to the Marion County Circuit Court for disposition of whatever issues remain unresolved from the remanded OPUC proceedings. On October 5, 2006, the Marion County Circuit Court issued an Order of Abatement in response to the ruling of the Oregon Supreme Court, abating the class actions for one year.

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, PGE'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 that the plaintiffs alleged were 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 PGE was included in Enron's consolidated income tax return, the Company paid the tax it collected to Enron. The plaintiffs sought judgment against PGE for restitution of MCBIT in excess of \$6 million, plus interest, recoverable costs, punitive damages, and attorney fees.

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. PGE established a reserve of \$10 million in 2005 related to the settlement. On July 28, 2006, the settlement was approved by the Multnomah County Circuit Court. In September 2006, the Company began making refunds, which are expected to be completed during the fourth quarter of 2006.

**Colstrip Royalty Claim** - Western Energy Company (WECO) transports coal from the Rosebud Mine in Montana under a Coal Transportation Agreement with owners of Colstrip Units 3 and 4, in which PGE has a 20% ownership interest. In 2002 and 2003, WECO received two orders from the Office of Minerals Revenue Management of the U.S. Department of the Interior which asserted underpayment of royalties and taxes by WECO related to transportation of coal from the mine to Colstrip during the period October 1991 through December 2001. WECO subsequently appealed the two orders to the Minerals Management Service (MMS) of the U.S. Department of the Interior. On March 28, 2005, the appeal by WECO was substantially denied. On April 28, 2005, WECO appealed the decision of the MMS to the Interior Board of Land Appeals of the U.S. Department of the Interior. In late September 2006, WECO received an additional order from the Office of Minerals Revenue Management to report and pay additional royalties for the period January 2002 through December 2004.

In May 2005, WECO received a "Preliminary Assessment Notice" from the Montana Department of Revenue, asserting claims similar to those of the Office of Minerals Revenue Management.

WECO has indicated to the owners of Colstrip Units 3 and 4 that, if WECO is unsuccessful in the above appeal process, it will seek reimbursement of any royalty payments by passing these costs on to the owners.

Management cannot predict the ultimate outcome of the above matters. Based on information currently known to the Company's management, the Company does not expect that this issue will have a material adverse effect on its financial condition, results of operations or cash flows. If WECO is able to pass any of these costs on to the owners, the Company would most likely seek recovery through the ratemaking process.

**City of Portland Challenge of Stock Issuance** - On February 10, 2006, the City of Portland appealed the OPUC order approving distribution of the new PGE common stock (OPUC Order) in both the Marion County Circuit Court and the Oregon Court of Appeals. On July 19, 2006, the Court of Appeals granted the OPUC motion to dismiss the action before that Court. On October 20, 2006, the City filed a Notice and Order of Voluntary Dismissal with the Marion County Circuit Court.

### **Environmental Matters**

**Harborton** - A 1997 investigation by the Environmental Protection Agency (EPA) of a 5.5 mile segment of the Willamette River known as the Portland Harbor revealed significant contamination of sediments within the harbor. The EPA subsequently included the Portland Harbor on the federal National Priority List pursuant to the federal Comprehensive Environmental Response, Compensation, and Liability Act (Superfund). In December 2000, PGE received a "Notice of Potential Liability" regarding its Harborton Substation facility and was included, along with sixty-eight other companies, on a list of Potentially Responsible Parties (PRPs) with respect to the Portland Harbor Superfund Site.

Also in 2000, PGE agreed with the Oregon Department of Environmental Quality (DEQ) to perform a voluntary remedial investigation of its Harborton Substation site to confirm whether any hazardous substances had been released from the substation property into the Portland Harbor sediments. In February 2002, PGE submitted its final investigative report to the DEQ, indicating that there is no likely present or past source or pathway for release of hazardous substances to surface water or sediments in the Portland Harbor Superfund Site at or from the Harborton Substation site and that the site does not present a high priority threat to present and future public health, safety, welfare, or the environment. The DEQ submitted the final investigative report to the EPA and, in a May 18, 2004 letter, the EPA stated that "based on the summary information provided by DEQ and the limited data EPA has at this stage in its process, EPA agrees at this time, that this site does not appear to be a current source of contamination to the river." Management believes that the Company's contribution to the sediment contamination, if any, from the Harborton Substation site would qualify it as a de minimis PRP.

Sufficient information is currently not available to determine either the total cost of investigation and remediation of the Portland Harbor or the liability of PRPs, including PGE. Management cannot predict the ultimate outcome of this matter or estimate any potential loss. However, it believes this matter will not have a material adverse impact on the Company's financial statements.

**Harbor Oil** - Harbor Oil, Inc. (Harbor Oil), located in north Portland, was utilized by PGE to process used oil from the Company's power plants and electrical distribution system from at least 1990 until 2003. Harbor Oil is also utilized by other entities for the processing of used oil and other lubricants.

In 1974 and 1979, major oil spills occurred at the Harbor Oil site that impacted an approximate two acre area. Elevated levels of contaminants, including metals, pesticides, and polychlorinated biphenyl's (PCBs), have been detected at the site. On September 29, 2003, Harbor Oil was included on the federal National Priority List as a federal Superfund site.

PGE received a Special Notice Letter for Remedial Investigation/Feasibility Study from the EPA, dated June 27, 2005, in which the Company was named as one of fourteen PRPs with respect to the Harbor Oil site. The letter starts a period for the PRPs to participate in negotiations with the EPA to reach a settlement to conduct or finance a Remedial Investigation and Feasibility Study of the Harbor Oil site. Discussions among the EPA and the PRPs, including PGE, are continuing.

Sufficient information is currently not available to determine either the total cost of investigation and remediation of the Harbor Oil Site or the liability of the PRPs, including PGE. Management cannot predict the ultimate outcome of this matter. However, it believes this matter will not have a material adverse impact on the Company's financial statements.

## **Tradable Renewable Energy Credit Sale Agreement**

This agreement ("Agreement") is made and entered into this \_\_\_ day of \_\_\_, 200\_ between Portland General Electric Company, an Oregon corporation with its principal office at 121 SW Salmon Street, Portland, Oregon 97204, ("Seller") and \_\_\_\_\_ ("Buyer"). Buyer and Seller are sometimes individually referred to as a "Party" and collectively as the "Parties."

### **RECITALS**

- A. Seller is the owner of certain Tradable Renewable Energy Credits, also known as Green Tags (hereinafter TRCs), as more specifically defined below, associated with electricity generated from the one or more of the following wind generation projects (Wind Projects) identified in Exhibit A attached hereto:
- B. The Wind Projects will deliver power into the electric grid control area of \_\_\_\_\_.
- C. Buyer desires to purchase TRCs from the Wind Projects.

### **AGREEMENT**

NOW, THEREFORE, in consideration of their mutual promises set forth above and in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows.

- 1) TRC, for the purposes of this Agreement, means the intangible, generally perceived environmental benefits associated with producing one MWh of Electric Energy by a renewable resource, including any and all reporting rights for any renewable energy, disclosure regulations, emission regulations, and/or renewable portfolio standards related to renewable energy. Each TRC represents the environmental attributes and benefits resulting from the generation of one (1.0) Megawatt-hour (MWh) of wind energy and does not include the underlying energy.
- 2) Term: This Agreement shall commence on \_\_\_\_\_, 200\_ and shall terminate on \_\_\_\_\_, 200\_ (the "Term").
- 3) Sale, Delivery and Transfer of TRCs: Seller hereby agrees to sell and deliver to Buyer and Buyer hereby agrees to purchase during the term of this Agreement, a total of \_\_\_\_\_ TRCs at a price of \$x.xx per TRC for a total purchase price of \_\_\_\_\_. Said TRCs shall be associated with physical generation by the Wind Projects. Seller shall execute and deliver to Buyer a Generator Registration Form and Attestation (Attestation) substantially similar to the Attestation Form received by Seller from the Wind Projects operators. Delivery of the TRCs, purchased under this Agreement shall take the form of delivery by Seller to Buyer of a Renewable Energy Certificate ("Certificate") on the form attached here to as Exhibit "B". Said Certificate shall be executed and delivered by Seller to Buyer during the period Term.

- 4) **Payment:** Buyer shall pay to Seller the price stated in Section 3 above for each TRC delivered to Buyer. Payment for TRC shall be made within thirty (30) days of receipt of invoice from Seller.
- 5) **Vintage:** The wind energy underlying the TRCs sold and transferred under this Agreement was, or will be, generated within the time period of (month), 200\_ and (month), 200\_.
- 6) **TRC Rights:** Subject to Buyer's performance of its obligations under this Agreement, all rights to TRCs purchased under this Agreement, upon payment in full of the price stated in Section 3 above, shall accrue to and are assigned exclusively to Buyer. All environmental attributes, including any attendant emission credits are conveyed to Buyer.
- 7) **Representation:** Seller represents that it has not sold and will not sell to a third party any emission allowances/credits, or other environmental attributes associated with the TRC, and the TRC that is used to fulfill the requirements of this Agreement are also not being used and will not be used to meet any federal, state, or local renewable energy requirement, renewable portfolio standard, or other renewable energy mandate.
- 8) **Energy Commodity Value:** The energy commodity value associated with any sale of wind-generated electricity (that is, the energy itself without its TRC) is owned solely by Seller and is not included in the sale of any TRC hereunder, and Buyer shall have no rights or claims with respect to such energy commodity value. Seller shall remain fully entitled to sell such energy component as it chooses, free of any restriction, limitation or qualification relating to this Agreement.
- 9) **Governing Law:** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED UNDER THE LAWS OF THE STATE OF OREGON WITHOUT GIVING EFFECT TO ANY PRINCIPLES OF CONFLICTS OF LAW THAT WOULD OTHERWISE CAUSE THE LAW OF ANY STATE OTHER THAN OREGON TO APPLY.
- 10) **Disclaimer:** Buyer understands and agrees that the obligations of Seller hereunder are limited to those specifically stated in the Agreement. The concept of "TRC" is created and defined by the terms hereof, and Seller does not represent, warrant or guarantee that either the concept of TRCs or the transfer thereof will satisfy any particular rule, regulation or arrangement to which Buyer is or might become subject. Nor does Seller represent, warrant or guarantee in any manner that either the TRC or the transfer thereof per this Agreement will meet any particular need or serve any purpose that Buyer might have. Buyer is solely responsible for the consequences of its determinations.
- 11) **Force Majeure:** Either Party shall be relieved of its obligations under this agreement in the event of a Force Majeure. Force Majeure shall mean acts of nature, civil disturbance, requisition of a governmental authority having jurisdiction, the order of any court having jurisdiction and acts of public enemy and/or terrorism that are beyond the reasonable control of the Party claiming the Force Majeure. This definition shall include enactment of federal legislation

implementing a renewable portfolio standard, either during the Term, or covering the Vintage, specified in this Agreement, and will also include the inability of the Wind Projects to generate energy.

- 12) Notices: All notices, requests, demands, offers, and other communications required or permitted hereunder shall be directed to the persons and addresses noted below.

If to Seller:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If to Buyer:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- 13) Payments shall be made to the address noted below:

\_\_\_\_\_.

- 14) No Assignment; Entire Agreement: This Agreement may not be assigned, except with prior written consent of the non-assigning Party (which may be withheld at its sole discretion), and any attempted assignment shall be null and void as to the non-assigning Party. This Agreement and the exhibit attached hereto constitute the entire agreement of the Parties and supersedes all prior agreements and understandings, both written and oral, among the Parties or any of them, with respect to the subject matter hereof.

IN WITNESS WHEREOF, the duly authorized officers of the Parties have executed this Agreement as of the date first above written.

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

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

Print: \_\_\_\_\_

Print: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

ATTACHMENTS

**PORTLAND GENERAL ELECTRIC COMPANY  
CERTIFICATE OF SALE OF GREEN TAGS**

I, (print name and title) \_\_\_\_\_, declare that the quantity of \_\_\_ electricity/ \_\_\_ renewable attributes listed below were resold exclusively from Portland General Electric Company after acquisition from : (name of Wind Project operator) \_\_\_\_\_ to: (name of Buyer [“Purchaser”]) \_\_\_\_\_.

Further, I declare that:

- 1) all the renewable attributes, including any emissions reduction credits or emissions allowances, represented by the renewable electricity generation listed below were transferred to the Purchaser above,
- 2) to the best of my knowledge, the renewable attributes were not sold, marketed or otherwise claimed by a third party;
- 3) PGE has resold the renewable attributes only once;
- 4) the renewable attributes or the electricity that was generated with the attributes was not used to meet any federal, state or local renewable energy requirement, renewable energy procurement, renewable portfolio standard, or other renewable energy mandate by PGE nor, to the best of my knowledge, any other entity.

Further, I declare that the facilities that generated all of the (indicate with “x”) \_\_\_ electricity/ \_\_\_ renewable attributes sold to (Purchaser) are listed below by fuel type. NO<sub>x</sub>, SO<sub>2</sub> and CO<sub>2</sub> emissions information is provided for all fossil-fueled generation, and NO<sub>2</sub> emission information is also provided for biomass, landfill gas, and digester gas generation as required.<sup>1</sup>

Generator Name	Generator ID Number	Fuel Type (if biomass list fuel)	# MWs TRCs / Power Sold	1 <sup>st</sup> Date of Generator Operation (mm/yy) <sup>2</sup>	NO <sub>x</sub> Emissions (Lbs/MWh)	SO <sub>2</sub> Emissions (Lbs/MWh)	CO <sub>2</sub> Emissions (Lbs/MWh)	Period of Generation (Q#/yy or mm/yy) <sup>3</sup>

As an authorized agent of (Wholesale Provider) \_\_\_\_\_, I attest that the above statements are true and correct.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Place of Execution

<sup>1</sup> Annual energy weighted average NO<sub>x</sub> Emissions data is required for Landfill Gas generation resources located in Maine, Vermont, New Hampshire, Massachusetts, Connecticut, Rhode Island, New York, Minnesota, Georgia and North Carolina. Annual energy weighted average NO<sub>x</sub> Emissions data is required for digester Gas generation resources located in New York, Minnesota, Georgia and North Carolina. Annual energy weighted average NO<sub>x</sub> emissions data is required for all other eligible biomass resources located in: Maine, Vermont, New Hampshire, Massachusetts, Connecticut, Rhode Island, New York, New Jersey, Maryland, District of Columbia, Pennsylvania, Delaware, Virginia, Minnesota, Georgia and North Carolina.

<sup>2</sup> For facilities that have added new renewable capacity, please indicate the amount and operational date of the new capacity the existing capacity.

<sup>3</sup> List as separate line items MWh generated in each quarter.



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

November 14, 2006

**Via E-Filing and US Mail**

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

Attention: **Commission Filing Center:**

Re: **UP-\_\_** Application for Approval to Sell Tradable Renewable Energy Credits (TRCs)

Enclosed is the original signed Application for approval to sell Tradable Renewable Energy Credits (TRCs) that PGE has, and will have, which are not yet reported in our energy mix, and are not owned for any required program. PGE provided an E-filed copy this date.

We ask that this Application be placed on the docket for consideration at the Commission's December 19, 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 or Sharon Noell at (503) 464-7003. Please direct all formal correspondence, questions, or requests to the following e-mail address [pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com).

Sincerely,

/s/ **Patrick G. Hager**

Patrick G. Hager  
Manager, Regulatory Affairs

PGH/lbh

encls.

BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

UP \_\_\_\_\_

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

Pursuant to ORS 757.480 and OAR 860-27-0025, Portland General Electric Company (“PGE”) seeks: 1) authorization from the Oregon Public Utility Commission (“Commission”) to sell Tradable Renewable Energy Credits (“TRCs”); 2) an accounting order to record all proceeds and fees, related to net proceeds from TRC sales in the property sale deferred account; and 3) an effective date no later than December 19, 2006.

A. Background

A TRC represents the beneficial environmental attributes of one MWh generated from a specific renewable source. TRCs are characterized by the number of MWh generated, annual vintage, and resource type (e.g., “5,000 vintage 2005 Oregon wind TRCs” or “10,000 vintage 2006 California eligible TRCs”). Renewable energy generators provide written attestations to PGE that show the energy source and the number of MWh generated during specific periods.

TRCs are created as renewable power is generated. They represent the renewable attributes of the renewable power. There is increasing interest in purchasing TRCs due to new consumer demand, corporate commitments, and regulations such as Renewable Portfolio Standards (RPS).

PGE has and may acquire TRCs. PGE purchases certain quantities of renewable energy that are accompanied by TRCs, which are currently obtained from the Vansycle Ridge Wind Farm and from the Klondike II wind generating facility. Further, additional TRCs will be



available when Phase I of the Biglow Canyon wind generation facility becomes operational.

PGE expects to market TRCs from 2006 and forward, which would include TRCs from Vansycle Ridge, Klondike II, and our Biglow Canyon wind generation facility. Upon sale of TRCs, PGE plans to record the proceeds (less fees) in the property sale deferred account for later refund to customers.

Prices can vary significantly, depending on the energy source and generation dates associated with a TRC. PGE expects to make up to 4 transactions per year, and most transactions will be less than \$1 million. Thus, PGE requests authorization to make individual TRC transactions with values up to \$1 million.

For individual transactions greater than \$1 million, PGE will file an amended application to request Commission authority. For each such amended application, PGE asks the Commission to assign a single docket number, which will be amended by numbering the applications for each subsequent sale requiring approval in the following manner, Docket No. \_\_\_(1), etc.

PGE also retains certain quantities of TRCs which we do not intend to sell, including those acquired for our current Renewable Portfolio Options (approximately 350,000 MWh per year) and those which we have previously reported pursuant to Oregon Administrative Rule 860-038-0300 as wind. On January 1, 2007, PGE will begin to retire other TRCs for our Stable Rate Pilot Program (associated with up to 5 MWa per year of Klondike II delivered energy, related to PGE's Tariff Schedule 9).

#### B. Requested Approval

PGE seeks approval to sell groups of TRCs with a value less than \$1 million, as opportunities occur. To maximize the value of this effort, PGE requires flexibility to timely respond to inquiries from purchasers. For transactions with sales value greater than \$1 million,

PGE will seek specific approval for each sale by amending this application. PGE will record all proceeds and fees for these transactions in the property sales account for later refund to customers.

### C. Reporting Requirements

These sales will be included in the periodic reports of property sales, currently submitted every six months. In addition, PGE plans to report on this activity at our Quarterly Power Cost Update meetings, and as other discussion opportunities occur.

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

Pursuant to the requirements of OAR 860-027-0025, PGE represents as follows:

- (a) *The exact name and address of the utility's principal business office:* Portland General Electric Company, 121 SW Salmon Street, Portland, Oregon 97204.
- (b) *The state in which incorporated, the date of incorporation, and the other states in which authorized to transact utility operations:* PGE is a corporation organized and existing under and by the laws of the State of Oregon. The date of its incorporation is July 25, 1930. PGE is authorized to transact business in the states of Oregon, 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 Rates & Regulatory Affairs Portland General Electric Company 121 SW Salmon Street, 1WTC-0702 Portland, OR 97204 (503) 464-7857 (telephone) (503) 464-7651 (fax) pge.opuc.filings@pgn.com	J. Richard George Assistant General Counsel Portland General Electric Company 121 SW Salmon Street, 1WTC-1301 Portland, OR 97204 (503) 464-7611 (telephone) (503) 464-2200 (fax) richard.george@pgn.com
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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](mailto:Patrick.Hager@pgn.com), and

Sharon Noell, Regulatory Analyst  
E-Mail: [Sharon.Noell@pgn.com](mailto:Sharon.Noell@pgn.com)

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

As of September 30, 2006, the following are the principal officers of PGE:

<u>Name</u>	<u>Title</u>
Peggy Y. Fowler	President and Chief Executive Officer
James J. Piro	Executive Vice President Finance, CFO & Treasurer
Stephen R. Hawke	Senior Vice President
Arleen N. Barnett	Vice President
Carol Dillin	Vice President
Cambell A. Henderson	Vice President and Chief Information Officer
Ronald W. Johnson	Vice President
Pamela G. Lesh	Vice President
James 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

(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 September 30, 2006, the date of PGE's last major SEC filing (10-Q):

	<u>Outstanding Shares</u>	<u>Amount (\$000s)</u>
Cumulative Preferred Stock: *		
None	0	\$0
Common Stock:		
No Par Value	62,502,400	\$642,000
(80,000,000 shares authorized):		

\* 34,489,658 shares are held by the Disputed Claims Reserve. Company Directors hold 2,400 shares. Harbinger Capital Partners Master Fund I, Ltd. reported to the Securities and Exchange Commission in its Schedule 13 G filed May 4, 2006, that it holds 4,625,000 shares.

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 long-term debt as of September 30, 2006 is as follows:

Description	Authorized (\$000s)	Outstanding (\$000s)
<b>First Mortgage Bonds</b>		
MTN ser IV due 6-15-2007 7.15%	50,000	50,000
5.6675% series due 10-25-2012	100,000	100,000
5.279% series due 4/1/2013	50,000	50,000
6.26% series due 5-1-2031	100,000	100,000
6.31% series due 5-1-2036	175,000	175,000
5.625% series VI due 8-1-2013	50,000	50,000
MTN series due 8-11-2021 9.31%	20,000	20,000
6.75% series VI due 8-1-2023	50,000	50,000
6.875% series VI due 8-1-2033	<u>50,000</u>	<u>50,000</u>
Total First Mortgage Bonds	645,000	645,000
<b>Pollution Control Bonds</b>		
City of Forsyth		
5.45% ser B 5-1-2033	21,000	21,000
2.20% ser A 5-1-2033	97,800	97,800
Port of Morrow		
5.20% ser A 5-1-2033	23,600	23,600
Port of St Helens		
4.80% series due 4-01-2010	20,200	20,200
6-01-10 variable rate	16,700	16,700
5.25% series due 8-1-2014	9,600	9,600
7.15% series due 12-15-20	<u>5,100</u>	<u>5,100</u>
Total Pollution Control Bonds	194,000	194,000
<b>Other Long Term Debt</b>		
Conservation Bonds 6.91%	75,000	928
7.875% notes due 2010	150,000	149,250
Capital lease obligations	0	0
Long-Term Contracts	77	77
Unamortized Debt Discount and Other	<u>-1,059</u>	<u>-1,059</u>
Total Other Long-Term Debt	224,017	149,196
<b>Less: Maturities and Sinking Funds</b>		
First Mortgage Bond Principal	50,000	50,000
Other Long-Term Debt	<u>928</u>	<u>928</u>
Total Current Liabilities	50,928	50,928

Description	Authorized (\$000s)	Outstanding (\$000s)
Total Long-Term Debt	1,012,089	937,267

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 requests approval to sell TRCs, with sale value less than \$1 million, as opportunities occur; and to record the proceeds and fees from such sales in the property sales deferred account for later return to customers. The value of each sale will be determined by good faith negotiation via a broker.

(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:* Items to be disposed are TRCs associated with the generation of renewable power, which are considered available for sale until reported in our generation mix. These sales will not likely include TRCs associated with all of the operating facilities of PGE or the other parties to the transactions.

(j) *A statement by primary account of the cost of the facilities and applicable depreciation reserve involved in the sale, lease, or other disposition, merger or consolidation, or acquisition of property of another utility, and a statement indicating where all existing data and records may be found:* No facilities cost or depreciation reserves are involved in the sales of TRCs.

(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:* PGE reviewed the state and federal regulations and found no required application at this time to any federal or other state regulatory body with respect to the sale of TRC transactions.

(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:* PGE's proposal enables PGE to sell TRCs and to defer net proceeds from such sales for later return to customers. Thus, customer electric bills will be lower than they would be without the proposal.

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

(n) *The amount of stock, bonds, or other securities, now owned, held or controlled by applicant, of the utility from which stock or bonds are proposed to be acquired:* 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.

## **II. Required Exhibits Under OAR 860-027-0025(2)**

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

**EXHIBIT A.** *A copy of the charter or articles of incorporation with amendments to date:*

Articles of Incorporation as amended (Previously filed in Docket UP 234 and by reference

made a part of this application.)

**EXHIBIT B.** *A copy of the bylaws with amendments to date: Bylaws as Amended and Restated (Previously filed in Docket UF-4231 and by reference made a part of this application.)*

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

**EXHIBIT D.** *Copies of all mortgages, trust, deeds, or indentures, securing any obligation of each party to the transaction: None (no such documents are related to this application).*

**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: Exhibit I provides a draft contract that PGE expects to use in its agreements, subject to negotiated final terms.*

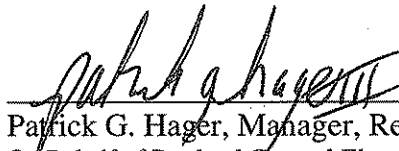
**EXHIBIT J.** *A copy of each proposed journal entry to be used to record the transaction upon each applicant's books: Attached.*

**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: Exhibit K is a template of the certification that PGE expects to issue with sold TRCs, subject to negotiation outcomes.*

Dated this 14th day of November, 2006.

Respectfully submitted,

/s/ Patrick G. Hager



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

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**Portland General Electric Company and Subsidiaries**

**Condensed Consolidated Balance Sheets**

**(Unaudited)**

in millions	9/30/06	Adjust- ment	Adjusted Total
<b>Assets</b>			
<b>Electric Utility Plant - Original Cost</b>			
Utility plant (includes construction work in progress of \$361 and \$177)	4,504.00		4,504.00
Accumulated depreciation	(1,850.00)		(1,850.00)
	<u>2,654.00</u>		<u>2,654.00</u>
<b>Other Property and Investments</b>			
Nuclear decommissioning trust, at market value	39.00		39.00
Non-qualified benefit plan trust	68.00		68.00
Miscellaneous	25.00		25.00
	<u>132.00</u>		<u>132.00</u>
<b>Current Assets</b>			
Cash and cash equivalents	50.00	0.96	50.96
Accounts and notes receivable (less allowance for uncollectible accounts of \$49 and \$50)	168.00		168.00
Unbilled revenues	57.00		57.00
Assets from price risk management activities	74.00		74.00
Inventories, at average cost	64.00		64.00
Margin deposits	23.00		23.00
Prepayments and other	41.00		41.00
Deferred income taxes	26.00		26.00
	<u>503.00</u>		<u>503.96</u>
<b>Deferred Charges</b>			
Regulatory assets	268.00		268.00
Miscellaneous	108.00		108.00
	<u>376.00</u>		<u>376.00</u>
	<u>3,665.00</u>		<u>3,665.00</u>
<b>Capitalization and Liabilities</b>			
<b>Capitalization</b>			
Common stock equity:			
Common stock, no par value, 80,000,000 shares authorized; 62,502,400 shares outstanding	642.00		642.00
Retained earnings	561.00		561.00
Accumulated other comprehensive income (loss):			
Unrealized loss on derivatives classified as cash flow hedges	(2.00)		(2.00)
Minimum pension liability adjustment	(3.00)		(3.00)
Long-term debt	937.00		937.00
	<u>2,135.00</u>		<u>2,135.00</u>
<b>Commitments and Contingencies (see Notes)</b>			
<b>Current Liabilities</b>			
Long-term debt due within one year	67.00		67.00
Accounts payable and other accruals	201.00		201.00
Liabilities from price risk management activities	139.00		139.00
Customer deposits	5.00		5.00
Accrued interest	18.00		18.00
Accrued taxes	50.00		50.00
Dividends payable	14.00		14.00
Deferred income taxes	-		-
	<u>494.00</u>		<u>494.00</u>
<b>Other</b>			
Deferred income taxes	263.00		263.00
Deferred investment tax credits	8.00		8.00
Trojan asset retirement obligation	108.00		108.00
Accumulated asset retirement obligation	26.00		26.00
Regulatory liabilities:			
Accumulated asset retirement removal costs	400.00		400.00
Other	118.00	0.96	118.96
Non-qualified benefit plan liabilities	81.00		81.00
Miscellaneous	32.00		32.00
	<u>1,036.00</u>		<u>1,036.96</u>
	<u>3,665.00</u>		<u>3,665.00</u>

PGE expects none of the subject transactions to affect fixed capital or plant schedules. Because RECs show no value in inventory, no balance sheet effects are expected from these transactions.

## **Exhibit "F" – Statement of Contingent Liabilities**

**Trojan Investment Recovery** - In 1993, following the closure of the Trojan Nuclear Plant as part of its least cost planning process, 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. 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 reviews were subsequently filed in the Marion County 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 Oregon 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, the OPUC, and URP each requested the Oregon Supreme Court to conduct a review of the Court of Appeals decision. On November 19, 2002, the Oregon Supreme Court dismissed the petitions for review. As a result, the 1998 Oregon Court of Appeals opinion stands and the case has been remanded to the OPUC (1998 Remand).

In 2000, while the petitions for review of the 1998 Court of Appeals decision were pending at the Oregon Supreme Court, PGE, CUB, and the staff of the OPUC entered into agreements to settle the litigation related to PGE's recovery of, and return on, its investment in the Trojan plant. URP did not participate in the settlement. The settlement, which was approved by the OPUC in September 2000, allowed PGE to remove from its balance sheet the remaining before-tax investment in Trojan of approximately \$180 million at September 30, 2000, along with several largely offsetting regulatory liabilities. The largest of such amounts consisted of before-tax credits of approximately \$79 million in customer benefits related to the previous settlement of power contracts with two other utilities and the approximately \$80 million remaining credit due customers under terms of the 1997 merger of the Company's parent corporation at the time (Portland General Corporation) with Enron. The settlement also allowed 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; it is estimated that such amount will be substantially recovered from PGE customers by the end of 2006. 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 OPUC'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 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 (2003 Remand). The opinion does not specify the amount or timeframe of any reductions or refunds. PGE and the OPUC have filed appeals of the Marion County Circuit Court decision to the Oregon Court of Appeals.

The OPUC combined the 1998 Remand and the 2003 Remand into one proceeding and is considering the matter in phases. The first phase addresses what rates would have been if the OPUC had interpreted the law to prohibit a return on the Trojan investment. The subsequent phases will address reconciling the results of the first phase with actual rates, and adjusting rates to the extent necessary. A decision is pending in the first phase of the proceeding.

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, together with the Current Class, the Class Action Plaintiffs). 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 December 14, 2004, the Judge granted the Class Action Plaintiffs' motion for Class Certification and Partial Summary Judgment and denied PGE's motion for Summary Judgment. 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 August 31, 2006, the

Oregon Supreme Court issued a ruling on PGE's Petitions for Alternative Writ of Mandamus, abating the class action proceedings until the OPUC responds to the 2003 Remand (described above). The Oregon Supreme Court concluded that the OPUC has primary jurisdiction to determine what, if any, remedy it can offer to PGE customers, through rate reductions or refunds, for any amount of return on the Trojan investment PGE collected in rates for the period from April 1995 through October 2000. The Supreme Court further stated that if the OPUC determines that it can provide a remedy to PGE's customers, then the class action proceedings may become moot in whole or in part, but if the OPUC determines that it cannot provide a remedy, and that decision becomes final, the court system may have a role to play. The Supreme Court also ruled that the plaintiffs retain the right to return to the Marion County Circuit Court for disposition of whatever issues remain unresolved from the remanded OPUC proceedings. On October 5, 2006, the Marion County Circuit Court issued an Order of Abatement in response to the ruling of the Oregon Supreme Court, abating the class actions for one year.

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, PGE'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 that the plaintiffs alleged were 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 PGE was included in Enron's consolidated income tax return, the Company paid the tax it collected to Enron. The plaintiffs sought judgment against PGE for restitution of MCBIT in excess of \$6 million, plus interest, recoverable costs, punitive damages, and attorney fees.

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. PGE established a reserve of \$10 million in 2005 related to the settlement. On July 28, 2006, the settlement was approved by the Multnomah County Circuit Court. In September 2006, the Company began making refunds, which are expected to be completed during the fourth quarter of 2006.

**Colstrip Royalty Claim** - Western Energy Company (WECO) transports coal from the Rosebud Mine in Montana under a Coal Transportation Agreement with owners of Colstrip Units 3 and 4, in which PGE has a 20% ownership interest. In 2002 and 2003, WECO received two orders from the Office of Minerals Revenue Management of the U.S. Department of the Interior which asserted underpayment of royalties and taxes by WECO related to transportation of coal from the mine to Colstrip during the period October 1991 through December 2001. WECO subsequently appealed the two orders to the Minerals Management Service (MMS) of the U.S. Department of the Interior. On March 28, 2005, the appeal by WECO was substantially denied. On April 28, 2005, WECO appealed the decision of the MMS to the Interior Board of Land Appeals of the U.S. Department of the Interior. In late September 2006, WECO received an additional order from the Office of Minerals Revenue Management to report and pay additional royalties for the period January 2002 through December 2004.

In May 2005, WECO received a "Preliminary Assessment Notice" from the Montana Department of Revenue, asserting claims similar to those of the Office of Minerals Revenue Management.

WECO has indicated to the owners of Colstrip Units 3 and 4 that, if WECO is unsuccessful in the above appeal process, it will seek reimbursement of any royalty payments by passing these costs on to the owners.

Management cannot predict the ultimate outcome of the above matters. Based on information currently known to the Company's management, the Company does not expect that this issue will have a material adverse effect on its financial condition, results of operations or cash flows. If WECO is able to pass any of these costs on to the owners, the Company would most likely seek recovery through the ratemaking process.

**City of Portland Challenge of Stock Issuance** - On February 10, 2006, the City of Portland appealed the OPUC order approving distribution of the new PGE common stock (OPUC Order) in both the Marion County Circuit Court and the Oregon Court of Appeals. On July 19, 2006, the Court of Appeals granted the OPUC motion to dismiss the action before that Court. On October 20, 2006, the City filed a Notice and Order of Voluntary Dismissal with the Marion County Circuit Court.

### **Environmental Matters**

**Harborton** - A 1997 investigation by the Environmental Protection Agency (EPA) of a 5.5 mile segment of the Willamette River known as the Portland Harbor revealed significant contamination of sediments within the harbor. The EPA subsequently included the Portland Harbor on the federal National Priority List pursuant to the federal Comprehensive Environmental Response, Compensation, and Liability Act (Superfund). In December 2000, PGE received a "Notice of Potential Liability" regarding its Harborton Substation facility and was included, along with sixty-eight other companies, on a list of Potentially Responsible Parties (PRPs) with respect to the Portland Harbor Superfund Site.

Also in 2000, PGE agreed with the Oregon Department of Environmental Quality (DEQ) to perform a voluntary remedial investigation of its Harborton Substation site to confirm whether any hazardous substances had been released from the substation property into the Portland Harbor sediments. In February 2002, PGE submitted its final investigative report to the DEQ, indicating that there is no likely present or past source or pathway for release of hazardous substances to surface water or sediments in the Portland Harbor Superfund Site at or from the Harborton Substation site and that the site does not present a high priority threat to present and future public health, safety, welfare, or the environment. The DEQ submitted the final investigative report to the EPA and, in a May 18, 2004 letter, the EPA stated that "based on the summary information provided by DEQ and the limited data EPA has at this stage in its process, EPA agrees at this time, that this site does not appear to be a current source of contamination to the river." Management believes that the Company's contribution to the sediment contamination, if any, from the Harborton Substation site would qualify it as a de minimis PRP.

Sufficient information is currently not available to determine either the total cost of investigation and remediation of the Portland Harbor or the liability of PRPs, including PGE. Management cannot predict the ultimate outcome of this matter or estimate any potential loss. However, it believes this matter will not have a material adverse impact on the Company's financial statements.

**Harbor Oil** - Harbor Oil, Inc. (Harbor Oil), located in north Portland, was utilized by PGE to process used oil from the Company's power plants and electrical distribution system from at least 1990 until 2003. Harbor Oil is also utilized by other entities for the processing of used oil and other lubricants.

In 1974 and 1979, major oil spills occurred at the Harbor Oil site that impacted an approximate two acre area. Elevated levels of contaminants, including metals, pesticides, and polychlorinated biphenyl's (PCBs), have been detected at the site. On September 29, 2003, Harbor Oil was included on the federal National Priority List as a federal Superfund site.

PGE received a Special Notice Letter for Remedial Investigation/Feasibility Study from the EPA, dated June 27, 2005, in which the Company was named as one of fourteen PRPs with respect to the Harbor Oil site. The letter starts a period for the PRPs to participate in negotiations with the EPA to reach a settlement to conduct or finance a Remedial Investigation and Feasibility Study of the Harbor Oil site. Discussions among the EPA and the PRPs, including PGE, are continuing.

Sufficient information is currently not available to determine either the total cost of investigation and remediation of the Harbor Oil Site or the liability of the PRPs, including PGE. Management cannot predict the ultimate outcome of this matter. However, it believes this matter will not have a material adverse impact on the Company's financial statements.

**Portland General Electric Company and Subsidiaries**  
**Condensed Consolidated Statements of Income**  
**(Unaudited)**  
(Dollars In Millions, Except per Share Amounts)

	<u>Three Months Ended 9/30/06</u>	<u>Adjust- ment</u>	<u>Adjusted Total</u>
<b>Operating Revenues</b>	\$ 372.00	0.96	\$ 372.96
<b>Operating Expenses</b>			
Purchased power and fuel	198.00		198.00
Production and distribution	34.00		34.00
Administrative and other	40.00		40.00
Depreciation and amortization	55.00	0.96	55.96
Taxes other than income taxes	19.00		19.00
Income taxes	6.00		6.00
	<u>352.00</u>		<u>352.96</u>
<b>Net Operating Income</b>	<u>20.00</u>		<u>20.00</u>
<b>Other Income (Deductions)</b>			
Miscellaneous	7.00		7.00
Income taxes	-		-
	<u>7.00</u>		<u>7.00</u>
<b>Interest Charges</b>			
Interest on long-term debt and other	17.00		17.00
<b>Net Income (Loss)</b>	<u>\$ 10.00</u>		<u>10.00</u>
<b>Common Stock:</b>			
Weighted-average shares outstanding (thousands),	62,500.00		62,500.00
Weighted-average shares outstanding (thousands),	62,505.00		62,505.00
Earnings per share, Basic and Diluted	\$ 0.16		0.16
Dividends Declared per Share	\$ 0.23		0.23

PGE expects none of the subject transactions to materially affect income statement

**Portland General Electric Company and Subsidiaries**  
**Condensed Consolidated Statements of Retained Earnings**  
**(Unaudited)**

	Three Months 09/30/2006 (In Millions)	<u>Adjust- ments</u>	<u>Adjusted Total</u>
Balance at Beginning of Period (restated, see Note 10)	\$ 565		\$ 565
Net Income (Loss)	10		10
	575		575
Dividends Declared - Common Stock	14		14
Balance at End of Period	<u>\$ 561</u>		<u>\$ 561</u>

PGE expects that retained earnings will be unaffected.

**Tradable Renewable Energy Credit  
Sale Agreement**

This agreement ("Agreement") is made and entered into this \_\_\_ day of \_\_\_, 200\_\_ between Portland General Electric Company, an Oregon corporation with its principal office at 121 SW Salmon Street, Portland, Oregon 97204, ("Seller") and \_\_\_\_\_ ("Buyer"). Buyer and Seller are sometimes individually referred to as a "Party" and collectively as the "Parties."

**RECITALS**

- A. Seller is the owner of certain Tradable Renewable Energy Credits, also known as Green Tags (hereinafter TRCs), as more specifically defined below, associated with electricity generated from the one or more of the following wind generation projects (Wind Projects) identified in Exhibit A attached hereto:
- B. The Wind Projects will deliver power into the electric grid control area of \_\_\_\_\_.
- C. Buyer desires to purchase TRCs from the Wind Projects.

**AGREEMENT**

NOW, THEREFORE, in consideration of their mutual promises set forth above and in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows.

- 1) TRC, for the purposes of this Agreement, means the intangible, generally perceived environmental benefits associated with producing one MWh of Electric Energy by a renewable resource, including any and all reporting rights for any renewable energy, disclosure regulations, emission regulations, and/or renewable portfolio standards related to renewable energy. Each TRC represents the environmental attributes and benefits resulting from the generation of one (1.0) Megawatt-hour (MWh) of wind energy and does not include the underlying energy.
- 2) Term: This Agreement shall commence on \_\_\_\_\_, 200\_\_ and shall terminate on \_\_\_\_\_, 200\_\_ (the "Term").
- 3) Sale, Delivery and Transfer of TRCs: Seller hereby agrees to sell and deliver to Buyer and Buyer hereby agrees to purchase during the term of this Agreement, a total of \_\_\_\_\_ TRCs at a price of \$x.xx per TRC for a total purchase price of \_\_\_\_\_. Said TRCs shall be associated with physical generation by the Wind Projects. Seller shall execute and deliver to Buyer a Generator Registration Form and Attestation (Attestation) substantially similar to the Attestation Form received by Seller from the Wind Projects operators. Delivery of the TRCs, purchased under this Agreement shall take the form of delivery by Seller to Buyer of a Renewable Energy Certificate ("Certificate") on the form attached here to as Exhibit "B". Said Certificate shall be executed and delivered by Seller to Buyer during the period Term.



- 4) **Payment:** Buyer shall pay to Seller the price stated in Section 3 above for each TRC delivered to Buyer. Payment for TRC shall be made within thirty (30) days of receipt of invoice from Seller.
- 5) **Vintage:** The wind energy underlying the TRCs sold and transferred under this Agreement was, or will be, generated within the time period of (month), 200\_ and (month), 200\_.
- 6) **TRC Rights:** Subject to Buyer's performance of its obligations under this Agreement, all rights to TRCs purchased under this Agreement, upon payment in full of the price stated in Section 3 above, shall accrue to and are assigned exclusively to Buyer. All environmental attributes, including any attendant emission credits are conveyed to Buyer.
- 7) **Representation:** Seller represents that it has not sold and will not sell to a third party any emission allowances/credits, or other environmental attributes associated with the TRC, and the TRC that is used to fulfill the requirements of this Agreement are also not being used and will not be used to meet any federal, state, or local renewable energy requirement, renewable portfolio standard, or other renewable energy mandate.
- 8) **Energy Commodity Value:** The energy commodity value associated with any sale of wind-generated electricity (that is, the energy itself without its TRC) is owned solely by Seller and is not included in the sale of any TRC hereunder, and Buyer shall have no rights or claims with respect to such energy commodity value. Seller shall remain fully entitled to sell such energy component as it chooses, free of any restriction, limitation or qualification relating to this Agreement.
- 9) **Governing Law:** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED UNDER THE LAWS OF THE STATE OF OREGON WITHOUT GIVING EFFECT TO ANY PRINCIPLES OF CONFLICTS OF LAW THAT WOULD OTHERWISE CAUSE THE LAW OF ANY STATE OTHER THAN OREGON TO APPLY.
- 10) **Disclaimer:** Buyer understands and agrees that the obligations of Seller hereunder are limited to those specifically stated in the Agreement. The concept of "TRC" is created and defined by the terms hereof, and Seller does not represent, warrant or guarantee that either the concept of TRCs or the transfer thereof will satisfy any particular rule, regulation or arrangement to which Buyer is or might become subject. Nor does Seller represent, warrant or guarantee in any manner that either the TRC or the transfer thereof per this Agreement will meet any particular need or serve any purpose that Buyer might have. Buyer is solely responsible for the consequences of its determinations.
- 11) **Force Majeure:** Either Party shall be relieved of its obligations under this agreement in the event of a Force Majeure. Force Majeure shall mean acts of nature, civil disturbance, requisition of a governmental authority having jurisdiction, the order of any court having jurisdiction and acts of public enemy and/or terrorism that are beyond the reasonable control of the Party claiming the Force Majeure. This definition shall include enactment of federal legislation

implementing a renewable portfolio standard, either during the Term, or covering the Vintage, specified in this Agreement, and will also include the inability of the Wind Projects to generate energy.

- 12) Notices: All notices, requests, demands, offers, and other communications required or permitted hereunder shall be directed to the persons and addresses noted below.

If to Seller:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

If to Buyer:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- 13) Payments shall be made to the address noted below:

\_\_\_\_\_

- 14) No Assignment; Entire Agreement: This Agreement may not be assigned, except with prior written consent of the non-assigning Party (which may be withheld at its sole discretion), and any attempted assignment shall be null and void as to the non-assigning Party. This Agreement and the exhibit attached hereto constitute the entire agreement of the Parties and supersedes all prior agreements and understandings, both written and oral, among the Parties or any of them, with respect to the subject matter hereof.

IN WITNESS WHEREOF, the duly authorized officers of the Parties have executed this Agreement as of the date first above written.

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

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

Print: \_\_\_\_\_

Print: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

ATTACHMENTS

**Accounting treatment for sale proceeds and fees.**

**(000's)**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
1	To record proceeds and expenses associated with the sale of Renewable Energy Credits		
131	Cash	1000	
186	Miscellaneous deferred debits		1000
131	Cash		40
186	Miscellaneous deferred debits (cost of sales)	40	
2	To record the deferred gain associated with sale of Renewable Energy Credits		
186	Miscellaneous deferred debits	960	
411.6	Gain on disposition of utility property (REC)		960
407.3	Regulatory Debits	960	
254	Other Regulatory Liabilities		960

These entries based on \$1million in sales, less 4% in fees, for \$0.96 million net proceeds

**PORTLAND GENERAL ELECTRIC COMPANY  
CERTIFICATE OF SALE OF GREEN TAGS**

I, (print name and title) \_\_\_\_\_, declare that the quantity of \_\_\_\_\_ electricity/ \_\_\_\_\_ renewable attributes listed below were resold exclusively from Portland General Electric Company after acquisition from : (name of Wind Project operator) \_\_\_\_\_ to: (name of Buyer ["Purchaser"]) \_\_\_\_\_.

Further, I declare that:

- 1) all the renewable attributes, including any emissions reduction credits or emissions allowances, represented by the renewable electricity generation listed below were transferred to the Purchaser above,
- 2) to the best of my knowledge, the renewable attributes were not sold, marketed or otherwise claimed by a third party;
- 3) PGE has resold the renewable attributes only once;
- 4) the renewable attributes or the electricity that was generated with the attributes was not used to meet any federal, state or local renewable energy requirement, renewable energy procurement, renewable portfolio standard, or other renewable energy mandate by PGE nor, to the best of my knowledge, any other entity.

Further, I declare that the facilities that generated all of the (indicate with "x") \_\_\_\_\_ electricity/ \_\_\_\_\_ renewable attributes sold to (Purchaser) are listed below by fuel type. NO<sub>x</sub>, SO<sub>2</sub> and CO<sub>2</sub> emissions information is provided for all fossil-fueled generation, and NO<sub>2</sub> emission information is also provided for biomass, landfill gas, and digester gas generation as required.<sup>1</sup>

Generator Name	Generator ID Number	Fuel Type (if biomass list fuel)	# MWhs TRCs / Power Sold	1 <sup>st</sup> Date of Generator Operation (mm/yy) <sup>2</sup>	NO <sub>x</sub> Emissions (Lbs/MWh)	SO <sub>2</sub> Emissions (Lbs/MWh)	CO <sub>2</sub> Emissions (Lbs/MWh)	Period of Generation (Q#/yy or mm/yy) <sup>3</sup>

As an authorized agent of (Wholesale Provider) \_\_\_\_\_, I attest that the above statements are true and correct.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Place of Execution

<sup>1</sup> Annual energy weighted average NO<sub>x</sub> Emissions data is required for Landfill Gas generation resources located in Maine, Vermont, New Hampshire, Massachusetts, Connecticut, Rhode Island, New York, Minnesota, Georgia and North Carolina. Annual energy weighted average NO<sub>x</sub> Emissions data is required for digester Gas generation resources located in New York, Minnesota, Georgia and North Carolina. Annual energy weighted average NO<sub>x</sub> emissions data is required for all other eligible biomass resources located in: Maine, Vermont, New Hampshire, Massachusetts, Connecticut, Rhode Island, New York, New Jersey, Maryland, District of Columbia, Pennsylvania, Delaware, Virginia, Minnesota, Georgia and North Carolina.  
<sup>2</sup> For facilities that have added new renewable capacity, please indicate the amount and operational date of the new capacity the existing capacity.  
<sup>3</sup> List as separate line items MWh generated in each quarter.