



Portland General Electric Company

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

March 15, 2016

E-File

PUC.filingcenter@state.or.us

Commission Filing Center
Public Utility Commission of Oregon
201 High St SE, Suite 100
PO Box 1088
Salem, OR 97308-1088

Re: UF____ PGE Finance Application

Attention Filing Center:

PGE is requesting the Commission to assign a new docket and issue an order allowing PGE to issue Securities in an amount up to \$500 million with a maturity of up to 40 years. The proposed debt financing proceeds will provide PGE with the flexibility to fund the acquisition of utility property, the construction, extension or improvement of utility facilities, the improvement or maintenance of service, discharge or repay obligations which were incurred for utility purposes and allow PGE to preserve its existing liquidity. PGE understands that it will be subject to prudence review of any financings undertaken pursuant to this amended application and subsequent order.

We ask that this Application be placed for consideration at the Commission's April 21, 2016 Public Meeting, or as soon thereafter as possible. Staff has tentatively agreed to try to review and process this application in time for that meeting.

If you have any questions regarding this matter, please call James Warberg at 503-464-7085.

Sincerely,

A handwritten signature in blue ink, appearing to read "Patrick G. Hager", is written over the word "Sincerely,".

Patrick G. Hager
Manager, Regulatory Affairs

cc: Brett Greene, James Warberg, Cheryl Chevis, Doug Tingey

**BEFORE THE PUBLIC UTILITY COMMISSION
OF
OREGON**

In the Matter of the Application of PORTLAND)
GENERAL ELECTRIC COMPANY for authority) APPLICATION
to issue and sell not more than \$500 million of First)
Mortgage Bonds and/or Unsecured Notes) UF-_____

Pursuant to ORS 757.410(1), and OAR 860-027-0030, Portland General Electric Company (“PGE” or the “Applicant”) is submitting this financing application requesting authority to issue up to \$500 million of its First Mortgage Bonds described herein (“Bonds”) and/or long-term unsecured notes described herein (“Notes”). PGE understands and agrees that if this request is granted, any remaining authorization to issue new Bonds, or Notes under a previous order will no longer be valid. The Applicant believes the transactions contemplated in this application will produce the lowest cost of funds for a similar maturity currently available to PGE. “Securities” shall mean herein Bonds or Notes or, if both Bonds and Notes are issued, Bonds and Notes.

PGE acknowledges that it cannot always anticipate all costs and required terms in the preparation of its OPUC finance applications. Many of these costs and terms do not become apparent until PGE begins actual negotiations with the buyers of the Securities or with the agents/underwriters of the Securities. As a result, PGE requests that, in addition to the costs and terms specifically listed in the application, it be allowed to pay such other costs and agree to such other terms as may be required to complete the transaction so long as such costs and terms are reasonable and typical for the transaction contemplated. PGE understands it will be subject to prudency reviews of any such costs or terms and will report such costs or terms to the OPUC within 30 days of the closing of any transaction.

I. Required Information Under OAR 860-027-0030:

Pursuant to the requirements of OAR 860-027-0030, PGE represents as follows:

(a) *The applicant's exact name and address of its principal business office:* The name and address of the Applicant is 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 business:* The Applicant is a corporation organized and existing under and by virtue of the laws of the State of Oregon, and the date of its incorporation is July 25, 1930. The Applicant is authorized to transact business in the states of Oregon, California, Idaho, Montana, Utah, and Washington and in Alberta, Canada, but conducts utility business only in the State of Oregon.

(c) *The name and address of persons authorized, on behalf of applicant to receive notices and communications in respect to this application:* The name and address of the persons authorized on behalf of the Applicant to receive notices and communications in respect of this Application are:

PGE-OPUC Filings
Rates & Regulatory Affairs
Portland General Electric Company
121 SW Salmon Street, 1WTC-0306
Portland, OR 97204
(503) 464-7857 (telephone)
(503) 464-7651 (fax)
pge.opuc.filings@pgn.com

Doug Tingey
Assistant General Counsel
Portland General Electric Company
121 SW Salmon Street, 1WTC-1301
Portland, OR 97204
(503) 464-8926 (telephone)
(503) 464-2200 (fax)
doug.tingey@pgn.com

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

Brett Greene, Assistant Treasurer

E-Mail: brett.greene@pgn.com

(d) As of December 31, 2015, the following are the principal officers of PGE with primary business offices located at 121 SW Salmon Street, Portland, Oregon 97204:

James J. Piro	Chief Executive Officer & President
James F. Lobdell	Senior Vice President Finance, CFO & Treasurer
William O. Nicholson	Senior Vice President
Maria M. Pope	Senior Vice President
Carol A. Dillin	Vice President
Campbell A. Henderson	Vice President & Chief Information Officer
J. Jeffrey Dudley	Vice President, General Counsel & Corporate Compliance Officer
Larry Bekkedahl	Vice President
Bradley Y. Jenkins	Vice President
Anne Mersereau	Vice President
W. David Robertson	Vice President
Kristin A. Stathis	Vice President
Kirk M. Stevens	Controller and Assistant Treasurer
Brett C. Greene	Assistant Treasurer
Marc S. Bocci	Corporate Secretary
Nora E. Arkonovich	Assistant Secretary
Cheryl A. Chevis	Assistant Secretary
Karen J. Lewis	Assistant Secretary

(e) *A description of the general character of the business done, and a designation of the territories served, by counties and states:* The Applicant is engaged in the generation, purchase, transmission, distribution, and sale of electric energy for public use in Oregon in Clackamas, Columbia, Hood River, Jefferson, Marion, Morrow, Multnomah, Polk, Sherman, Washington, and Yamhill counties.

(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 capital stock as of **December 31, 2015**, the date of PGE's last major SEC filing (10-K):

	<u>Outstanding</u> <u>Shares</u>	<u>Amount</u> <u>(\$000s)</u>
Cumulative Preferred Stock:	0	0
None authorized		
Common Stock: *		
No Par Value (160,000,000 shares authorized):	88,792,751	\$1,195,545

* Company Directors hold
229,986 shares.

None of the outstanding shares of common stock referenced above are held as reacquired securities or were pledged by the Applicant. The Vanguard Group, LLC, Blackrock Fund Advisors, and T. Rowe Price Associates, Inc., reported ownership of 7.25%, 5.17% and 4.40%, respectively, of the outstanding PGE common stock as of **December 31, 2015** in an SEC Form 13-F filing. PGE does not have enough information to determine if any of these funds qualify as affiliates.

(g) *A statement, as of the date of the balance sheet submitted with the application, showing for each class and series of long-term debt and notes: brief description (amount, interest rate and maturity); amount authorized; amount outstanding (exclusive of any amount held in the treasury); amount held as reacquired securities; amount pledged; amount held by affiliated interests; and amount in sinking and other funds:* PGE's long-term debt as of **December 31, 2015** is as follows:

Description	Authorized (\$000s)	Outstanding (\$000s)
First Mortgage Bonds:		
3.55% series due 1-15-2030	\$ 75,000	\$ 75,000
6.26% series due 5-1-2031	100,000	100,000
6.31% series due 5-1-2036	175,000	175,000
4.47% series due 8-14-2043	75,000	75,000
9.31% series MTN due 8-11-2021	20,000	20,000
6.75% series VI due 8-1-2023	50,000	50,000
6.875% series VI due 8-1-2033	50,000	50,000
5.80% series due 6-1-2039	170,000	170,000
5.81% series due 10-1-2037	130,000	130,000
5.80% series due 3-1-2018	75,000	75,000
3.50% series due 5-15-2035	70,000	70,000
3.81% series due 6-15-17	58,000	58,000
4.47% series due 6-15-44	150,000	150,000
4.74% series due 11-15-2042	105,000	105,000
4.84% series due 12-15-2048	50,000	50,000
6.10% series due 4-15-2019	300,000	300,000
5.43% series due 5-03-2040	150,000	150,000
4.39% series due 8-15-2045	100,000	100,000
4.44% series due 10-15-2046	100,000	100,000
3.51% series due 11-15-2024	80,000	80,000
Total First Mortgage Bonds	<u>2,083,000</u>	<u>2,083,000</u>
Pollution Control Bonds:		
City of Forsyth, MT		
5.45% series B due 5-1-2033*	21,000	21,000
5% series due 5-1-2033	97,800	97,800
Port of Morrow, OR		
5.00% series due 5-1-2033,	23,600	23,600
*This debt instrument, purchased by the Company on May 1, 2009, is currently held for possible remarketing	(21,000)	(21,000)
Total Pollution Control Bonds outstanding	<u>121,400</u>	<u>121,400</u>
Other Long Term Debt:		
Long-Term Contracts	84	84
Unamortized Debt Discount and Other	(656)	(656)
Total Other Long-Term Debt	(572)	(572)
Total Long-Term Debt	<u>2,203,828</u>	<u>2,203,828</u>
Total Classified as Short-term	<u>(133,000)</u>	<u>(133,000)</u>
Net Long-term Debt	<u>\$ 2,070,828</u>	<u>2,070,828</u>

None of the long-term debt is pledged by the Applicant or held as reacquired securities, by affiliated corporations, or in any fund, except as may be noted above.

(h) *Full description of securities proposed to be issued showing: kind and nature of securities or liabilities; amount (face value and number of shares); interest or dividend rate, if any; date of issue and date of maturity; and voting privileges, if any:* PGE proposes to enter into the following transactions:

(1) *Type and nature of securities*

The Securities would be issued in one or more transactions as conditions permit. The Securities would have a maturity of up to 40 years and would either be issued, in the case of Bonds, under the Company's First Mortgage Indenture or, in the case of Notes, as unsecured notes issued under an indenture, a trust agreement, or a bank or other lender arrangement to be negotiated with the purchasers or their representatives. The Securities may have a sinking fund provision and may have a feature that allows for early redemption and may require PGE to indemnify the holders of the Securities from any loss or costs incurred as a result of the redemption. The agreement with purchasers of Securities may contain a provision requiring PGE to pay a breakage fee in the event the Securities are redeemed prior to maturity. The agreement with purchasers of Securities may contain other market required conditions including yield protection, capital adequacy requirements and tax and funding indemnification.

A brief description of the Bonds is as follows:

The Bonds would be issued under PGE's First Mortgage Indenture. The Bonds will be secured equally with all other First Mortgage Bonds of PGE as part of a lien against substantially all of PGE's utility property. The Trustee under the First Mortgage Indenture is Wells Fargo Bank, National Association (as successor to HSBC Bank USA, National Association). The Bonds may be issued in one or more separate series pursuant to supplements to the First Mortgage Indenture or as a single series. The

Bonds or any series thereof, if there is more than one series, will most likely be without coupons. The Bonds may or may not be registered and could be in any amount of \$25 per bond or greater.

A brief description of the Notes is as follows:

The Notes may be issued in one or more separate series or as a single series. The Notes or any series thereof, if there is more than one series, will most likely be without coupons. The Notes may or may not be registered and could be in any amount in excess of \$25 per note. The Notes will be subordinated to the Company's First Mortgage Bonds with respect to the First Mortgage lien. Apart from First Mortgage Bonds, unsecured Notes represent the least expensive long-term debt financing available to the Company.

Fixed Rate

For any fixed rate Bonds or Notes issued, the coupon or interest rate will be established at the time of issuance unless the Bonds or Notes have the delayed settlement feature (described below in Paragraph (h)(4)), in which case the fixed interest rate will be determined on the date PGE and Bond purchasers enter into a binding agreement for the purchase and sale of the Bonds or Notes. PGE requests that if the applicable spread should exceed the maximum levels listed below, it be granted authority to issue the Bonds or Notes so long as the interest rate or coupon does not exceed 6.0% per annum. The proposed maximum fixed rate spread over the applicable Treasury security for Bonds of various maturities is as follows:

Greater Than or Equal To	Equal to or Less Than	Maximum Spread Over Benchmark Treasury Yield
1 year	9 years	+ 140 basis points
10 years	14 years	+ 150 basis points
15 years	30 years	+ 160 basis points
31 years	40 years	+ 170 basis points

The proposed maximum spread over the applicable Treasury security for Notes of various maturities is as follows:

Greater Than or Equal To	Equal to or Less Than	Maximum Spread Over Benchmark Treasury Yield ¹
1 year	9 years	+ 170 basis points
10 years	14 years	+ 180 basis points
15 years	19 years	+ 190 basis points
20 years	30 years	+ 200 basis points
31 years	40 years	+ 210 basis points

Floating Rate Notes

In addition to fixed rate Notes, the Company requests the authority to issue floating rate Notes. Floating rate notes could have a maturity of up to 40 years but the interest rate would be reset monthly, quarterly or every 6 months as established at the time of the sale of the Notes. The interest rates would be reset based on a fixed spread over the 1-month, 3-month or 6-month London Interbank Offering Rate (“LIBOR rate”) as set forth on Bloomberg, Reuters or another LIBOR rate source. In the event the LIBOR rate is no longer available from these sources, then the rate will be based on a rate agreed upon by PGE and the purchasers. PGE requests that the maximum fixed spread be no greater than 1.50%.

(2) Amount of securities

The Company expects to issue Securities in amounts of not more than \$500,000,000 aggregate principal amount or, if the Securities are issued at an original issue discount of up to one percent, such greater amount as will result in an aggregate offering price of not more than \$500,000,000.

(3) Interest rate

The interest rate on the Bonds will be fixed and payable semi-annually in arrears. The interest rate on the Notes could be fixed or variable. Interest on fixed rate Notes would be semi-annually in arrears. Interest on floating rate Notes could be monthly, quarterly or semi-annually in arrears depending on maturity and market conditions. The proposed maximum spread over the respective Treasury security

for fixed rate Bonds or Notes is set forth in Paragraph (h)(1) in this application. The maximum spread over LIBOR for any floating rate Notes is also set forth in Paragraph (h)(1) in this application.

(4) *Date of issuance and maturity*

The Company expects to issue the Securities in one or more series from time to time in amounts not to exceed \$500,000,000 in the aggregate. The maturities of the various series are expected to be at least one-year and up to 40 years from the date of issuance. The Securities may be priced with a delayed settlement feature which allows the Company to execute a binding purchase and sale agreement establishing the interest rate and other terms of the sale, but postpone the actual issuance of the Securities and receipt of funds to a date up to one year later. The delayed settlement feature would allow the Company to lock-in interest rates but defer the issuance of the Securities to correspond with the Applicant's cash needs.

(5) *Institutional rating or, if not rated, an explanation*

PGE's First Mortgage Bonds are currently rated:

Moody's	A1
Standard & Poor's	A-

PGE's Unsecured Long-Term Debt is currently rated:

Moody's	A3
Standard & Poor's	BBB

PGE may apply for a rating on the Securities issued if it is required by the market. Sometimes the Securities carry an implied rating based on the current Company ratings for like securities.

(i) *A reasonably detailed and precise description of proposed transaction, including a statement of the reasons why it is desired to consummate the transaction and the anticipated effect thereof:*

(A) *Description of proposed method of issuance and selling the securities:* The Securities may be issued as public offerings or on a private placement basis. The Securities may be sold on a negotiated or competitive bid basis. The Securities may be sold directly to a limited number of purchasers or to a single purchaser or underwriter. See Paragraph (h) above.

(B) *Statement of whether securities are to be issued pro rata to existing holders of the applicant's securities or issued pursuant to any preemptive right or in connection with any liquidation or reorganization:* The Securities will not be issued pro rata to existing holders of the Applicant's securities and will not be issued pursuant to any preemptive right or in connection with any liquidation or reorganization.

(C) *Statement showing why it is in applicant's interest to issue securities in the manner proposed and the reason(s) why it selected the proposed method of sale:* The proposed method of issuance and sale and the reasons that the Applicant has proposed the types of Securities are described above in Paragraph (h).

(D) *Statement that exemption from the competitive bidding requirements of any federal or other state regulatory body has or has not been requested or obtained, and a copy of the action taken thereon when available:* In the opinion of Applicant's legal counsel, the Applicant is not subject to the competitive bidding requirements of federal or state regulatory bodies in connection with the issuance of the Securities.

The proposed transactions are not part of a general program.

(j) *The name and address of any person receiving or entitled to a fee for service:* If Securities are issued, PGE may name as possible managing underwriters/agents, JP Morgan, Wells Fargo, Barclays, Bank of America, U.S Bank or others. PGE will likely hire outside legal counsel to represent and advise the Company in connection with any issuance and may name Perkins Coie, LLP, Tonkon

Torp, LLP, Skadden Arps or other law firms as legal counsel for the Company. The underwriters will receive as compensation (assuming a public offering) the difference between the price at which they purchase the Securities from the Applicant and the price at which the Securities are sold by the underwriters to the public. The underwriters will receive the usual and customary amount prevailing in arm's length transactions for such sales and such amount will not exceed 0.875 percent of the aggregate principal amount of the Securities. Assuming a private placement, the agents will receive a placement fee from the Company to be negotiated. The fee will be the usual and customary amount prevailing for similar transactions in the market and in any case will not exceed 0.875% of the aggregate principal amount of the Securities.

(k) *A statement showing both in total amount and per unit the price to the public, underwriting commission and net proceeds to the applicant:* Total amount of the Securities to the ultimate purchaser(s) and expenses and net proceeds to the Applicant resulting from the sale are estimated to be as follows:

Item	Securities	
	Amount	Per \$100
1. Face value or principal amount	\$500,000,000	\$100.00
2. Plus premium or less discount		
3. Gross proceeds	\$500,000,000	\$100.00
4. Underwriters' spread or commission (0.875%)	4,375,000	
5. Securities and Exchange Commission registration fee	15,000	
6. Printing and engraving expenses	30,000	
7. Trustee's charges	25,000	
8. Fees and expenses of independent public accountants	40,000	
9. Rating agency fees	100,000	
10. Legal fees	150,000	
12. Total deductions	\$4,735,000	0.95
13. Estimated net amount to be realized	\$495,265,000	\$99.05

(l) *Purposes for which the securities are to be issued:* The above-described issuance expenses will be paid out of the general funds of the Applicant. The Applicant will defer the issuance expenses and amortize them equitably over the life of the Securities.

The purposes for which securities are proposed to be issued in this matter are the acquisition of utility property, the construction, extension or improvement of utility facilities, the improvement or maintenance of service, the discharge or lawful refunding of obligations which were incurred for utility purposes permitted under ORS 757.415 (l)(a), (l)(b), (l)(c), (l)(d), or (l)(e) or the reimbursement of PGE treasury for funds used for the foregoing purposes, except the maintenance of service and replacements. To the extent proceeds are used to discharge or lawfully refund obligations, they or their precedents were originally incurred for purposes described in ORS 757.415 (l)(a), (l)(b) or (l)(e). To the extent proceeds are used to reimburse the treasury for funds used to discharge or lawfully refund obligations, such obligations were incurred for purposes described in ORS 757.415 (l)(a), (l)(b) or (l)(e), or for the purposes described in ORS 757.415 (l)(a), (l)(b) or (l)(e) directly. The Applicant requests that it not be required to file a supplemental application provided the terms of the Bonds are within the parameters set forth in this Application.

(m) *A statement as to whether or not any application, registration statement, etc., with respect to the transaction or any part thereof, is required to be filed with any federal or state regulatory body:* No other application is required to be filed with any federal or other state regulatory body. If issued in the public market, the Securities would be issued pursuant to PGE's S-3 registration statement.

(n) *The facts relied upon by the application to show that the issue: is for a lawful object within the corporate purposes; is compatible with public interest; is necessary or appropriate for proper performance by application of service as a utility; will not impair its ability to perform the service; is reasonably necessary and appropriate for such purposes; and if filed under ORS 757.495, is fair and*

reasonable and not contrary to public interest: As a public utility, Applicant is obligated to secure sufficient generating, transmission, and distribution capacity to serve its customers reliably at the lowest reasonable cost. Applicant believes the securities issued in the manner proposed, will minimize the overall capital costs associated with such public utility obligations for the reasons stated above. Therefore, the transaction proposed is for a lawful object within the corporate purposes of the Applicant; is compatible with the public interest; is necessary and appropriate for and consistent with the proper performance by the Applicant of service as a public utility; will not impair its ability to perform such service; is reasonably appropriate for such purposes; and in accordance with ORS 757.495, is fair and reasonable and not contrary to public interest. This Application is not filed under ORS 757.495.

(o) *A brief statement of all rights to be a corporation, franchises, permits and contracts for consolidation, merger or lease included as assets of the applicant or any predecessor there, the amounts actually paid as consideration therefore, respectively, and the facts relied upon to show the issuance of securities for which approval is requested:* The requirements of OAR 860-027-0030 (o) are not applicable.

(p) *If filed under ORS 757.490, 757.495, 759.385, or 759.390 a statement describing relationship between utility and the affiliated interest:* The requirements of OAR 860-027-0030 (p) are not applicable.

II. Required Exhibits Under OAR 860-027-0030(2)

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

EXHIBIT A. *Articles of Incorporation, as Amended and Restated*, effective on May 13, 2009 (Third Amended and Restated Articles previously filed in Docket UP-310 and by reference made a part of this application).

EXHIBIT B. *A copy of the bylaws with amendments to date:* (Tenth Amended and Restated Bylaws adopted May 7, 2014, and previously filed in Docket UP-310, 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:* Directors' Resolution to be filed when available.

EXHIBIT D. *Copies of all mortgages, trust, deeds, or indentures, securing any obligation of each party to the transaction:* To be filed when available.

EXHIBIT E. *Balance sheets showing booked amounts, adjustments to record the proposed transaction and pro forma, with supporting fixed capital or plant schedules in conformity with the forms in the annual report, which applicant(s) is required, or will be required, to file with the Commission:* Balance sheets showing booked amounts, adjustments to record the proposed transactions and pro forma Balance sheets as of December 31, 2015 are attached. [Attached in electronic format]

EXHIBIT F. *A statement of all known contingent liabilities, except minor items such as damage claims and similar items involving relatively small amounts, as of the date of the application, as of December 31, 2015:* See Attached. [electronic format]

EXHIBIT G. *Comparative income statements showing recorded results of operations, adjustments to*

record the proposed transaction and pro forma, in conformity with the form in the annual report which applicant(s) is required, or will be required, to file with the Commission, as of December 31, 2015: See Attached Income Statement for the 12-month period ended December 31, 2015 and pro forma. [electronic format]

EXHIBIT H. *An analysis of surplus for the period covered by the income statements referred to in Exhibit G, as of December 31, 2015 and pro forma: See Attached Analysis of retained earnings for the 12-month period ended December 31, 2015 and pro forma. [electronic format]*

EXHIBIT I. *A copy of registration statement proper, if any, and financial exhibits made a part thereof, filed with the Securities and Exchange Commission: To be filed if applicable.*

EXHIBIT J. *A copy of each proposed and of the published invitation of proposals for the purchase of underwriting of the securities to be issued; of each proposal received; and of each contract, underwriting, and other arrangement entered into for the sale or marketing of securities: Not Applicable.*

EXHIBIT K. *Copies of the stock certificates, notes, or other evidences of indebtedness proposed to be issued: To be filed when available.*

WHEREFORE, the Applicant respectfully requests an Order authorizing PGE to issue and sell not more than \$500 million of First Mortgage Bonds.

Dated this 15th day of March, 2016.

PORTLAND GENERAL ELECTRIC COMPANY

By  _____
Patrick G. Hager,
Manager, Regulatory Affairs
On Behalf of Portland General Electric Company
121 SW Salmon Street, 1WTC-0306
Portland, Oregon 97204
Phone: (503) 464-7580
E-Mail: patrick.hager@pgn.com

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Exhibit "F"
Statement of Contingent Liabilities
As of December 31, 2015

PGE is subject to legal, regulatory, and environmental proceedings, investigations, and claims that arise from time to time in the ordinary course of its business. Contingencies are evaluated using the best information available at the time the consolidated financial statements are prepared. Legal costs incurred in connection with loss contingencies are expensed as incurred. The Company may seek regulatory recovery of certain costs that are incurred in connection with such matters, although there can be no assurance that such recovery would be granted.

Loss contingencies are accrued, and disclosed if material, when it is probable that an asset has been impaired or a liability incurred as of the financial statement date and the amount of the loss can be reasonably estimated. If a reasonable estimate of probable loss cannot be determined, a range of loss may be established, in which case the minimum amount in the range is accrued, unless some other amount within the range appears to be a better estimate.

A loss contingency will also be disclosed when it is reasonably possible that an asset has been impaired or a liability incurred if the estimate or range of potential loss is material. If a probable or reasonably possible loss cannot be reasonably estimated, then the Company i) discloses an estimate of such loss or the range of such loss, if the Company is able to determine such an estimate, or ii) discloses that an estimate cannot be made and the reasons.

If an asset has been impaired or a liability incurred after the financial statement date, but prior to the issuance of the financial statements, the loss contingency is disclosed, if material, and the amount of any estimated loss is recorded in the subsequent reporting period.

The Company evaluates, on a quarterly basis, developments in such matters that could affect the amount of any accrual, as well as the likelihood of developments that would make a loss contingency both probable and reasonably estimable. The assessment as to whether a loss is probable or reasonably possible, and as to whether such loss or a range of such loss is estimable, often involves a series of complex judgments about future events. Management is often unable to estimate a reasonably possible loss, or a range of loss, particularly in cases in which: i) the damages sought are indeterminate or the basis for the damages claimed is not clear; ii) the proceedings are in the early stages; iii) discovery is not complete; iv) the matters involve novel or unsettled legal theories; v) there are significant facts in dispute; vi) there are a large number of parties (including circumstances in which it is uncertain how liability, if any, will be shared among multiple defendants); or vii) there is a wide range of potential outcomes. In such cases, there is considerable uncertainty regarding the timing or ultimate resolution, including any possible loss, fine, penalty, or business impact.

Trojan Investment Recovery Class Actions

In 1993, PGE closed the Trojan nuclear power plant (Trojan) and sought full recovery of, and a rate of return on, its Trojan costs in a general rate case filing with the OPUC. In 1995, the OPUC issued a general rate order that granted the Company recovery of, and a rate of return on, 87% of its remaining investment in Trojan.

Numerous challenges and appeals were subsequently filed in various state courts on the issue of the OPUC's authority under Oregon law to grant recovery of, and a return on, the Trojan investment. In 2007, following several appeals by various parties, the Oregon Court of Appeals issued an opinion that remanded the matter to the OPUC for reconsideration.

In 2008, the OPUC issued an order (2008 Order) that required PGE to provide refunds of \$33 million, including interest, which were completed in 2010. Following appeals, the 2008 Order was upheld by the Oregon Court of Appeals in February 2013 and by the Oregon Supreme Court (OSC) in October 2014.

In 2003, in two separate legal proceedings, lawsuits were filed in Marion County Circuit Court (Circuit Court) against PGE on behalf of two classes of electric service customers. The class action lawsuits seek damages totaling \$260 million, plus interest, as a result of the Company's inclusion, in prices charged to customers, of a return on its investment in Trojan.

In August 2006, the OSC issued a ruling ordering the abatement of the class action proceedings. The OSC concluded that the OPUC had primary jurisdiction to determine what, if any, remedy could be offered to PGE customers, through price reductions or refunds, for any amount of return on the Trojan investment that the Company collected in prices.

The OSC further stated that if the OPUC determined that it can provide a remedy to PGE's customers, then the class action proceedings may become moot in whole or in part. The OSC added that, if the OPUC determined that it cannot provide a remedy, the court system may have a role to play. The OSC also ruled that the plaintiffs retain the right to return to the Circuit Court for disposition of whatever issues remain unresolved from the remanded OPUC proceedings. In October 2006, the Circuit Court abated the class actions in response to the ruling of the OSC.

In June 2015, based on a motion filed by PGE, the Circuit Court lifted the abatement. PGE has filed a motion for summary judgment dismissing the lawsuits. On July 27, 2015, the Circuit Court heard oral argument on the Company's motion for Summary Judgment. The court has yet to issue a decision on the motion. Following oral argument on PGE's motion for summary judgment, the plaintiffs moved to amend the complaints. PGE opposed the request to amend and the Court has not yet issued its decision.

PGE believes that the October 2014 OSC decision has reduced the risk of a loss to the Company in excess of the amounts previously recorded and discussed above. However, because the class actions remain pending, management believes that it is reasonably possible that such a loss to the Company could result. As these

matters involve unsettled legal theories and have a broad range of potential outcomes, sufficient information is currently not available to determine the amount of any such loss.

Pacific Northwest Refund Proceeding

In response to the Western energy crisis of 2000-2001, the FERC initiated, beginning in 2001, a series of proceedings to determine whether refunds are warranted for bilateral sales of electricity in the Pacific Northwest wholesale spot market during the period December 25, 2000 through June 20, 2001. In an order issued in 2003, the FERC denied refunds. Various parties appealed the order to the Ninth Circuit Court of Appeals (Ninth Circuit) and, on appeal, the Ninth Circuit remanded the issue of refunds to the FERC for further consideration.

On remand, in 2011 and thereafter, the FERC issued several procedural orders that established an evidentiary hearing, defined the scope of the hearing, expanded the refund period to include January 1, 2000 through December 24, 2000 for certain types of claims, and described the burden of proof that must be met to justify abrogation of the contracts at issue and the imposition of refunds. Those orders included a finding by the FERC that the *Mobile-Sierra* public interest standard governs challenges to the bilateral contracts at issue in this proceeding, and the strong presumption under *Mobile-Sierra* that the rates charged under each contract are just and reasonable would have to be specifically overcome either by: i) a showing that a respondent had violated a contract or tariff and that the violation had a direct connection to the rate charged under the applicable contract; or ii) a showing that the contract rate at issue imposed an excessive burden or seriously harmed the public interest. The FERC also held that a market-wide remedy was not appropriate, given the bilateral contract nature of the Pacific Northwest spot markets. Refund proponents appealed these procedural orders at the Ninth Circuit. On December 17, 2015, the Ninth Circuit held that the FERC reasonably applied the *Mobile-Sierra* presumption to the class of contracts at issue in the proceedings and dismissed evidentiary challenges related to the scope of the proceeding. Plaintiffs on behalf of CERS filed a request for rehearing on February 1, 2016.

In response to the evidence and arguments presented during the hearing, in May 2015, the FERC issued an order finding that the refund proponents had failed to meet the *Mobile-Sierra* burden with respect to all but one respondent. In December 2015, the FERC denied all requests for rehearing of its order. With respect to the remaining respondent, FERC ordered additional proceedings, and a January 2016 revised initial decision has now recommended that certain contracts by such respondent be subject to refund.

The Company has settled all of the direct claims asserted against it in the proceedings for an immaterial amount. The settlements and associated FERC orders have not fully eliminated the potential for so-called “ripple claims,” which have been described by the FERC as “sequential claims against a succession of sellers in a chain of purchases that are triggered if the last wholesale purchaser in the chain is entitled to a refund.” However, the remaining respondent subject to the revised initial decision has stated on the record that it will not pursue ripple claims, and on February 1, 2016, the Acting Chief Administrative Law Judge issued an order holding that the issue of ripple claims is terminated for purposes of Phase II of these proceedings.

Therefore, unless the current FERC orders are overturned or modified on appeal, the Company does not believe that it will incur any material loss in connection with this matter.

Management cannot predict the outcome of the various pending appeals and remands concerning this matter. If, on rehearing, appeal, or subsequent remand, the Ninth Circuit or the FERC were to reverse previous FERC rulings on liability or find that a market-wide remedy is appropriate, it is possible that additional refund claims could be asserted against the Company. However, management cannot predict, under such circumstances, which contracts would be subject to refunds, the basis on which refunds would be ordered, or how such refunds, if any, would be calculated. Further, management cannot predict whether any current respondents, if ordered to make refunds, would pursue additional refund claims against their suppliers, and, if so, what the basis or amounts of such potential refund claims against the Company would be. Due to these uncertainties, sufficient information is currently not available to determine PGE's liability, if any, or to estimate a range of reasonably possible loss.

EPA Investigation of Portland Harbor

A 1997 investigation by the United States Environmental Protection Agency (EPA) of a segment of the Willamette River known as Portland Harbor revealed significant contamination of river sediments. The EPA subsequently included Portland Harbor on the National Priority List pursuant to the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) as a federal Superfund site and listed 69 Potentially Responsible Parties (PRPs). PGE was included among the PRPs as it has historically owned or operated property near the river. In January 2008, the EPA requested information from various parties, including PGE, concerning additional properties in or near the original segment of the river under investigation as well as several miles beyond. Subsequently, the EPA has listed additional PRPs, which now number over one hundred.

The Portland Harbor site is currently undergoing a remedial investigation (RI) and feasibility study (FS) pursuant to an Administrative Order on Consent (AOC) between the EPA and several PRPs known as the Lower Willamette Group (LWG), which does not include PGE.

In March 2012, the LWG submitted a draft FS to the EPA for review and approval. In August 2015, the EPA substantially revised the draft FS as submitted by the LWG and issued its own draft FS which is currently in the process of undergoing further consideration and comment. The draft FS, along with the RI, is expected to provide the framework for the EPA to determine a clean-up remedy for Portland Harbor that will be documented in a Record of Decision (ROD).

The EPA's draft FS evaluates several alternative clean-up approaches, which would take from four to 18 years with the present value of estimated costs ranging from \$800 million to \$2.4 billion, depending on the selected remedial action levels and the choice of remedy. While the revised draft FS aids in the development of a proposed plan to remediate Portland Harbor, the draft FS does not address responsibility for the costs of clean-up, allocate such costs among PRPs, or define precise boundaries for the clean-up. In November 2015, the EPA proposed its preferred alternative remedy to the National Remedy Review Board (NRRB) for

comment. The EPA's preferred alternative has an estimated present value cost of \$1.5 billion and would take approximately seven years to complete. The EPA anticipates it will release, for public review and comment, a Proposed Cleanup Plan in the Spring of 2016. The Company currently expects the EPA to issue a determination of its preferred remedy in a final ROD in late 2016, however responsibility for funding and implementing the EPA's selected remedy is not expected to be known for some time. PGE is participating in a voluntary process to establish and develop allocation of costs.

Where injuries to natural resources have occurred as a result of releases of hazardous substances, federal and state natural resource trustees may seek to recover for damages at such sites, which is referred to as natural resource damages. As it relates to the Portland Harbor, PGE has been participating in the Portland Harbor Natural Resource Damages assessment (NRDA) process. The EPA does not manage NRDA activities, but provides claims information and coordination support to the Natural Resource Damages (NRD) trustees. Damage assessment activities are typically conducted by a Trustee Council made up of the trustee entities for the site, and claims are not concluded until a final remedy for clean-up has been settled. The Portland Harbor NRD trustees are the National Oceanic and Atmospheric Administration, the U.S. Fish and Wildlife Service, the state of Oregon, and certain tribal entities.

After the claimed damages at a site are assessed, the NRD trustees may seek to negotiate legal settlements or take other legal actions against the parties responsible for the damages. Funds from such settlements must be used to restore injured resources and may also compensate the trustees for costs incurred in assessing the damages. It is uncertain what portion, if any, PGE may be held responsible related to Portland Harbor.

As discussed above, significant uncertainties still remain concerning the precise boundaries for clean-up, the assignment of responsibility for clean-up costs, the final selection of a proposed remedy by the EPA, the amount of natural resource damages, and the agreement of allocation of costs amongst PRPs. Although it is probable that the Company's share of these costs could be material, the Company does not currently have sufficient information to reasonably estimate the amount, or range, of its potential costs for investigation or remediation of the Portland Harbor site and NRDA. The Company plans to seek recovery of any costs resulting from the Portland Harbor proceeding through regulatory recovery in customer prices and through claims under insurance policies.

Alleged Violation of Environmental Regulations at Colstrip

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

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

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

In May 2013, the defendants filed a motion to dismiss 36 of 39 claims alleged in the complaint. In September 2013, the plaintiffs filed a motion for partial summary judgment regarding the appropriate method of calculating emissions increases. Also in September 2013, the plaintiffs filed an amended complaint that withdrew Title V and opacity claims, added claims associated with two 2011 projects, and expanded the scope of certain claims to encompass approximately 40 additional projects. In July 2014, the court denied the defendants' motion to dismiss and the plaintiffs' motion for partial summary judgment.

In August 2014, the plaintiffs filed a second amended complaint to which the defendants' response was filed in September 2014. The second amended complaint continues to seek injunctive relief, declaratory relief, and civil penalties for alleged violations of the federal Clean Air Act. The plaintiffs state in the second amended complaint that it was filed, in part, to comply with the court's ruling on the defendants' motion to dismiss and plaintiffs' motion for partial summary judgment. Discovery in this matter is complete. The parties filed various summary judgment motions during the summer of 2015. Oral argument on those motions occurred on December 1, 2015. On or about December 31, 2015, the Magistrate Judge issued Findings and Recommendations that, if adopted by the trial court, would result in dismissal of several of the plaintiffs' claims. The case is currently set for trial on May 6, 2016.

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

Other Matters

PGE is subject to other regulatory, environmental, and legal proceedings, investigations, and claims that arise from time to time in the ordinary course of business, which may result in judgments against the Company. Although management currently believes that resolution of such matters, individually and in the aggregate, will not have a material impact on its financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties, and management's view of these matters may change in the future.

Portland General Electric Company and Subsidiaries
Consolidated Balance Sheet
December 31, 2015
(In Millions)

	December 31, 2015	Adjustments ⁽¹⁾	Adjusted Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4		\$ 4
Accounts receivable, net	158		158
Unbilled revenues	95		95
Inventories	83		83
Regulatory assets - current	129		129
Other current assets	88		88
Total current assets	<u>557</u>	<u>-</u>	<u>557</u>
Electric utility plant	8,560		8,560
Construction work in progress	545		545
Total cost	9,105		9,105
Less: accumulated depreciation and amortization	(3,093)		(3,093)
Electric utility plant, net	<u>6,012</u>		<u>6,012</u>
Regulatory assets - noncurrent	524		524
Nuclear decommissioning trust	40		40
Non-qualified benefit plan trust	33		33
Other noncurrent assets	55		55
Total assets	<u>\$ 7,221</u>	<u>\$ -</u>	<u>\$ 7,221</u>
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable	\$ 98		\$ 98
Liabilities from price risk management activities - current	130		130
Short-term debt	6		6
Current portion of long-term debt	133		133
Accrued expenses and other current liabilities	259		259
Total current liabilities	<u>626</u>	<u>-</u>	<u>626</u>
Long-term debt, net of current portion	2,071		2,071
Regulatory liabilities - noncurrent	928		928
Deferred income taxes	632		632
Unfunded status of pension and postretirement plans	259		259
Liabilities from price risk management activities - noncurrent	161		161
Asset retirement obligations	151		151
Non-qualified benefit plan liabilities	106		106
Other noncurrent liabilities	29		29
Total liabilities	<u>\$ 4,963</u>	<u>\$ -</u>	<u>\$ 4,963</u>
Commitments and contingencies (see notes)	-		-
Equity			
Portland General Electric Company shareholders' equity			
Preferred stock	-		-
Common stock	1,196		1,196
Accumulated other comprehensive loss	(8)		(8)
Retained earnings	1,070		1,070
Total Portland General Electric Company shareholders' equity	<u>2,258</u>	<u>-</u>	<u>2,258</u>
Noncontrolling interests' equity	-		-
Total Equity	<u>2,258</u>	<u>-</u>	<u>2,258</u>
Total liabilities and equity	<u>\$ 7,221</u>	<u>\$ -</u>	<u>\$ 7,221</u>

⁽¹⁾ Footnote not used this quarter.

Portland General Electric Company and Subsidiaries
Consolidated Statement of Income
Twelve Months Ended
December 31, 2015
(In Millions)

	Twelve Months December 31, 2015	Adjustments	Adjusted Total
Revenues	\$1,898		\$1,898
Operating Expenses:			
Purchased power and fuel	661		661
Generation, transmission and distribution	266		266
Administrative and other	241		241
Depreciation and amortization	305		305
Taxes other than income taxes	116		116
Total operating expenses	<u>1,589</u>		<u>1,589</u>
Income from Operations	309	-	309
Other Income:			
Allowance for equity funds used during construction	21		21
Miscellaneous income, net	<u>1</u>		<u>1</u>
Other Income, net	22	-	22
Interest Expense	<u>114</u>		<u>114</u>
Income before income taxes	217	-	217
Income Taxes	45		45
Net Income	<u>\$172</u>	<u>-</u>	<u>\$172</u>

Portland General Electric Company and Subsidiaries
Consolidated Statement of Retained Earnings
Twelve Months Ended
December 31, 2015
(In Millions)

	<u>Retained Earnings</u>	<u>Adjustments ⁽¹⁾</u>	<u>Adjusted Total</u>
Balance at Beginning of Period, January 1, 2015	\$1,000		\$1,000
Net Income	172		172
	<u>1,172</u>		<u>1,172</u>
Dividends Declared			
Common stock	<u>(102)</u>		<u>(102)</u>
Balance at End of Period, December 31, 2015	<u><u>\$1,070</u></u>	<u><u>\$0</u></u>	<u><u>\$1,070</u></u>

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