



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

July 25, 2007

**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 of the Sale of Property

Enclosed is the original signed Application for approval to sell property in the City of Damascus, County of Clackamas, Oregon, to Gramor Development.

We ask that this Application be placed on the docket for consideration at the Commission's September 11, 2007 public meeting, or as soon thereafter as possible.

PGE waives paper service of documents in this proceeding and has E-filed a copy on this date.

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

Sincerely,

**/s/ 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 approval from the Oregon Public Utility Commission ("Commission") for the sale of certain PGE property no longer useful or necessary for providing utility service to the public.

Background

PGE purchased property that is the subject of this Application ("Property") in December of 2003 for the price of \$454,435 with plans to build a substation. The Property is located in the City of Damascus ("the City"), County of Clackamas, Oregon. The Property totals 1.94 acres of land at the corner of SW Damascus Lane and Foster Road and is currently vacant, with the exception of a gravel surface.

Sometime after PGE purchased the Property, but prior to developing the substation site, the Metro Council approved the Damascus/Boring Concept Plan that provided a basic land-use framework for subsequent detailed planning by the City, as part of the Urban Growth Boundary, and the Property was incorporated into the Plan. Thereafter, the City, surrounding landowners and developers voiced objections to PGE utilizing the Property as a substation, and asked PGE to consider locating an alternative substation site. The City viewed the Property as potential commercial development, located one block North of Highway 212, and possibly a major regional transportation route and major retail center.

PGE agreed to locate another site for the development of the substation and subsequently purchased land near SE 222<sup>nd</sup> in the City of Damascus, for the sum of \$521,000.

For valuation purposes, an independent MAI appraiser inspected the Property and researched general market conditions. The appraisal valued the Property at \$1,000,000, and PGE subsequently issued an RFP for the sale of the Property. PGE accepted an offer from Gramor Development to purchase the Property for the sum of \$1,250,000. (See Exhibit I-2).

For accounting purposes, PGE will defer the gain, on the sale of the Property, of approximately \$790,565 (See Exhibit J).

**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 operations 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:*

Randy Dahlgren  
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](mailto:pge.opuc.filings@pgn.com)

Cece Coleman  
Assistant General Counsel  
Portland General Electric Company  
121 SW Salmon Street, 1WTC-1301  
Portland, OR 97204  
(503) 464-7831 (telephone)  
(503) 464-2200 (fax)  
[cece.coleman@pgn.com](mailto:cece.coleman@pgn.com)

PGE waives paper service of documents in this proceeding. 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

Jay Tinker, Project Manager  
E-Mail: [Jay.Tinker@pgn.com](mailto:Jay.Tinker@pgn.com)

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

As of July 1, 2007, the following are the principal officers of PGE, with primary business offices located at 121 SW Salmon Street, Portland, Oregon 97204:

<u>Name</u>	<u>Title</u>
Peggy Y. Fowler	Chief Executive Officer & President
James J. Piro	Executive Vice President Finance, CFO & Treasurer
Stephen R. Hawke	Senior Vice President, Customer Service and Delivery
Arleen N. Barnett	Vice President
Carol A. Dillin	Vice President
Campbell A. Henderson	Vice President & Chief Information Officer
Pamela G. Lesh	Vice President
James F. Lobdell	Vice President
Joe A. McArthur	Vice President
William O. Nicholson	Vice President
Douglas R. Nichols	Vice President, General Counsel
Stephen M. Quennoz	Vice President, Nuclear & Power Supply / Generation

<u>Name</u>	<u>Title</u>
Kirk M. Stevens	Controller and Assistant Treasurer
Marc S. Bocci	Corporate Secretary
Kristin A. Stathis	Assistant Treasurer
Cheryl A. Chevis	Assistant Secretary
Karen J. Lewis	Assistant Secretary

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

(f) *A statement, as of the date of the balance sheet submitted with the application, showing for each class and series of capital stock: brief description; the amount authorized (face value and number of shares); the amount outstanding (exclusive of any amount held in the treasury); amount held as reacquired securities; amount pledged; amount owned by affiliated interests; and amount held in any fund:* The following represents PGE's stock as of March 31, 2007, the date of PGE's most recent quarterly SEC filing (10-Q):

	<u>Outstanding Shares</u>	<u>Amount (\$000s)</u>
Cumulative Preferred Stock:		
None authorized	0	\$0
Common Stock:		
No Par Value (80,000,000 shares authorized):	62,507,396	\$643,342

None of the capital stock is held as reacquired securities, pledged, held by affiliated interests, or held in any sinking or other fund by the Company.

(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 March 31, 2007 is as follows:*

Description	Authorized (\$000s)	Outstanding (\$000s)
First Mortgage Bonds:		
MTN ser VI 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	<b>645,000</b>	<b>645,000</b>
Pollution Control Bonds:		
City of Forsyth		
5.45% ser B 5-1-2033	21,000	21,000
5.20% ser A 5-1-2033	97,800	97,800
Port of Morrow		
5.20% ser A 5-1-2033	23,600	23,600
12-01-31 variable rate	5,800	5,800
Port of St Helens		
4.80% series due 4-01-2010	20,200	20,200
4.80% series due 6-01-2010	16,700	16,700
5.25% series due 8-1-2014	9,600	9,600
7.125% series due 12-15-2014	<u>5,100</u>	<u>5,100</u>
Total Pollution Control Bonds	<b>199,800</b>	<b>199,800</b>
Other Long Term Debt:		
7.875% notes due 3-15-2010	150,000	149,250
Capital lease obligations	0	0
Long-Term Contracts	68	68
Unamortized Debt Discount	<u>-1,479</u>	<u>-1,479</u>
Total Other Long-Term Debt	<b>148,589</b>	<b>147,839</b>

Description	Authorized (\$000s)	Outstanding (\$000s)
Less: Maturities and Sinking Funds:		
First Mortgage Bond Principal	<u>50,000</u>	<u>50,000</u>
Total Current Liabilities	<b>50,000</b>	<b>50,000</b>
Total Long-Term Debt	<b>943,389</b>	<b>942,639</b>

None of the long-term debt is pledged or held as reacquired securities, held by affiliated interests, or held 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 for PGE to sell a 1.94 acre tract of land. For valuation purposes, an independent MAI appraiser inspected the Property and researched general market conditions. The Property was appraised at \$1,000,000 (See Exhibit “I-4”), and PGE agreed to dispose of the Property above the appraised value (See Exhibit “I-2”).

(i) *A statement and general description of facilities to be disposed of, consolidated, merged, or acquired from another utility, giving a description of their present use and of their proposed use after disposition, consolidation, merger, or acquisition. State whether the proposed disposition of facilities or plan for consolidation, merger, or acquisition includes all the operating facilities of the parties to the transaction:* The Property consists of a 1.94 acre tract of land in the City of Damascus, County of Clackamas, and is currently vacant with the exception of a gravel surface. The description of the Property is provided in Exhibit “I-3”. This transaction

includes vacant property which is now surplus to PGE's needs and is not necessary for serving PGE's duty to the public.

(j) *A statement by primary account of the cost of the facilities and applicable depreciation reserve involved in the sale, lease, or other disposition, merger or consolidation, or acquisition of property of another utility. If original cost is not known, an estimate of original cost based, to the extent possible, upon records or data of the applicant or its predecessors must be furnished, a full explanation of the manner in which such estimate has been made, and a statement indicating where all existing data and records may be found:* The book value of the Property was determined using PGE's accounting records. A statement by primary account of the cost of the Property is included as Exhibit L.

(k) *A statement as to whether or not any application with respect to the transaction or any part thereof, is required to be filed with any federal or other state regulatory body:* No application with respect to this transaction is currently required to be filed with any federal or other state regulatory body.

(l) *The facts relied upon by applicants to show that the proposed sale, lease, assignment, or consolidation of facilities, mortgage or encumbrance of property, or acquisition of stock, bonds, or property of another utility will be consistent with the public interest:* The sale of the Property (1.94 acres) is consistent with the public interest because PGE has acquired an alternate location for its substation and this Property no longer has a business purpose and is now surplus to PGE's existing or potential needs, and is not necessary for serving PGE's duty to the public. PGE submitted an RFP for the Property. Gramor Development was the only bidder. Gramor agreed to pay an amount above the asking price and the appraised value of the Property.



(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. Furthermore, customers will benefit from the deferral of the gain, with the gain to be refunded in the future.

(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/sale, that transferee has the necessary franchises:* Not applicable.

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

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

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

*Articles of Incorporation, as Amended and Restated, effective on April 3, 2006 (Amended and Restated Articles 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:* (Fourth Amended and Restated Bylaws previously filed in Docket UP 237 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:* 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:* Not applicable.

***EXHIBIT E.*** *Balance sheets showing booked amounts, adjustments to record the proposed transaction and pro forma, with supporting fixed capital or plant schedules in conformity with the forms in the annual report, which applicant(s) is required, or will be required, to file with the Commission:* Balance sheet showing booked amounts, adjustments to record the proposed transactions and pro forma Balance sheets as of March 31, 2007 are attached. [electronic version in .PDF 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 March 31, 2007:* Attached. [electronic version in .PDF 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 March 31, 2007:* Attached. [electronic version in .PDF format]

***EXHIBIT H.*** *An analysis of surplus for the period covered by the income statements referred to in Exhibit G, as of March 31, 2007:* Attached. [electronic version in .PDF format]

***EXHIBIT I.*** *A copy of each contract in respect to the sale, lease or other proposed disposition, merger or consolidation of facilities, acquisition of stock, bonds, or property of another utility, as the case may be, with copies of all other written instruments entered into or proposed to be*

*entered into by the parties to the transaction pertaining thereto:* Attached [electronic version in .PDF]

***EXHIBIT J.*** *A copy of each proposed journal entry to be used to record the transaction upon each applicant's books:* Attached. [electronic version in .PDF format]

***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:* None attached, see section I, paragraph m).

***EXHIBIT L.*** *Statement by primary account of the Cost of the Property.* Attached. [electronic version in .PDF format]

Dated this 25<sup>th</sup> day of July, 2007.

Respectfully Submitted,

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

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**Exhibit "E"**  
**UP\_\_**

Portland General Electric Company and Subsidiaries  
Consolidated Balance Sheet  
March 31, 2007  
(Millions of Dollars)

	<u>March 31, 2007</u>	Adjustments (1)	Adjusted Total
<b>Assets</b>			
<b>Electric Utility Plant - Original Cost</b>			
Utility plant (includes construction work in progress of \$421 and \$412)	4,650	(0.45)	4,650
Accumulated depreciation	<u>(1,887)</u>	<u>-</u>	<u>(1,887)</u>
	<u>2,763</u>	<u>(0)</u>	<u>2,763</u>
<b>Other Property and Investments</b>			
Nuclear decommissioning trust, at market value	43		43
Non-qualified benefit plan trust	70		70
Miscellaneous	<u>27</u>		<u>27</u>
	<u>140</u>	<u>-</u>	<u>140</u>
<b>Current Assets</b>			
Cash and cash equivalents	5	1.25	6
Accounts and notes receivable (less allowance for uncollectible accounts of \$39 and \$45)	206		206
Unbilled revenues	60		60
Assets from price risk management activities	92		92
Inventories, at average cost	62		62
Margin deposits	8		8
Prepayments and other	41		41
Deferred income taxes	<u>7</u>		<u>7</u>
	<u>481</u>	<u>1.25</u>	<u>482</u>
<b>Deferred Charges</b>			
Regulatory assets	342		342
Miscellaneous	<u>33</u>		<u>33</u>
	<u>375</u>		<u>375</u>
	<u>3,759</u>	<u>0.79</u>	<u>3,760</u>
<b>Capitalization and Liabilities</b>			
Capitalization			
Common stock, no par value, 80,000,000 shares authorized; 62,507,396 and 62,504,767 shares outstanding at March 31, 2007 and December 31, 2006, respectively	643		643
Other paid-in capital - net			
Retained earnings	628		628
Accumulated other comprehensive income (loss):			
Pension and other postretirement plans	(6)		(6)
Long-term obligations	<u>943</u>		<u>943</u>
	<u>2,208</u>	<u>-</u>	<u>2,208</u>
<b>Commitments and Contingencies (see Notes)</b>			
<b>Current Liabilities</b>			
Long-term debt due within one year	66		66
Short-term borrowings	29		29
Accounts payable and other accruals	208		208
Liabilities from price risk management activities	116		116
Customer deposits	5		5
Accrued interest	19		19
Accrued taxes	40		40
Dividends payable	14		14
Deferred income taxes	<u>-</u>		<u>-</u>
	<u>497</u>	<u>-</u>	<u>497</u>
<b>Other</b>			
Deferred income taxes	247		247
Deferred investment tax credits	6		6
Trojan asset retirement obligation	111		111
Accumulated asset retirement obligation	26		26
Regulatory liabilities:			
Accumulated asset retirement removal costs	423		423
Other	107	0.79	108
Non-qualified benefit plan liabilities	86		86
Miscellaneous	<u>48</u>		<u>48</u>
	<u>1,054</u>		<u>1,055</u>
	<u>3,759</u>	<u>0.79</u>	<u>3,760</u>

(1) Reflects journal entries in Exhibit "J"

**Exhibit "G"**  
**UP\_\_**

**Portland General Electric Company and Subsidiaries**  
**Consolidated Statement of Income**

**March 31, 2007**

(In Millions)

	March 31, 2007	Adjustments	Adjusted Total
<b>Operating Revenues</b>	\$436		\$436
<b>Operating Expenses</b>			
Purchased power and fuel	203		203
Production and distribution	32		32
Administrative and other	45		45
Depreciation and amortization	45		45
Taxes other than income taxes	21		21
Income taxes	26		26
	372		372
<b>Net Operating Income</b>	64		64
<b>Other Income (Deductions)</b>			
Allowance for equity funds used during construction	5		5
Miscellaneous	4		4
Income taxes	-1		-1
	8		8
<b>Interest Charges</b>			
Interest on long-term debt and other	17		17
	17		17
<b>Net Income</b>	55		55
<b>Common Stock</b>			
Weighted-average shares outstanding (thousands), Basic	62,505		62,505
Weighted-average shares outstanding (thousands), Diluted	62,525		62,525
Earnings per share, Basic and Diluted	\$0.88		\$0.88
Dividends declared per share	\$0.225		\$0.225

**Exhibit "H"**  
**UP\_\_**

**Portland General Electric Company and Subsidiaries**  
**Consolidated Statement of Retained Earnings**

**March 31, 2007**  
**(Millions of Dollars)**

	<u>March 31, 2007</u>	<u>Adjustments <sup>(1)</sup></u>	<u>Adjusted Total</u>
<b>Balance at Beginning of Year</b>	587		587
<b>Net Income (loss)</b>	<u>55</u>		<u>55</u>
	<u>642</u>		<u>642</u>
<b>Dividends Declared</b>			
Common stock	14		14
<b>Balance at End of Year</b>	<u><u>628</u></u>		<u><u>628</u></u>

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(1) No preliminary adjusting entries to the statement of retained earnings.

**Exhibit "J"**  
**UP\_\_**

PORTLAND GENERAL ELECTRIC COMPANY  
PROPOSED JOURNAL ENTRIES

The following entries are to record the sale of the Damascus property, D23-05, Clackamas County to Gramor Development

	Land	Total
Selling Price	1,250,000	1,250,000
Original Cost	454,435	454,435
Accum. Depreciation	0	0
Selling Expenses	5,000	5,000
Gain(Loss) Realized	790,565	790,565

Account	Description	Debit	Credit
	(1)		
131	Cash	1,250,000	
186	Misc Deferred Debits (Land RWIP)	454,435	
186	Misc Deferred Debits (Land RWIP)	5,000	
186	Misc Deferred Debits (Land RWIP)		1,250,000
101	Electric plant in service		454,435
131	Cash - Estimated selling expenses		5,000
	To record proceeds and retire property associated with the sale of Damascus property		
	(2)		
186	RWIP	790,565	
411.6	Gain on disposition of property (Land)		790,565
	To record the gain on the sale of Damascus property		
	(3)		
407.3	Regulatory Debits	790,565	
254	Deferred gain on property sale, UE-115		790,565

To record the deferred gain per UE-115 associated with the sale of Damascus property

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

Exhibit "L"  
UP\_\_

**Cost and Description of Property**

**The accounting history for the Damascus property Plat D23-05, Lots 2000 and 2213, 1.94 acres.**

<u>Date</u>	<u>Event</u>	<u>Book</u>
2003	PGE Purchases the Damascus Property. Classified in Balance Sheet account FERC 101 Plant-In-Service, 300-Level FERC account 360-00 Land and land rights	454,435
		<hr/> \$ 454,435



**Exhibit “F”**  
**Statement of Contingent Liabilities**  
**As of March 31, 2007**

**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 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 Oregon 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. The 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; such amount was 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.

URP filed a complaint with the OPUC challenging the settlement agreements and the OPUC's September 2000 order. In March 2002, 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 appealed the 2003 Remand to the Oregon Court of Appeals. On February 16, 2007, the Oregon Court of Appeals declined to reverse or abate the 2003 Remand and ordered the parties to file revised briefs with the Court.

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.

In Order No. 07-157 (the Order) entered on April 19, 2007, the OPUC denied the motion PGE filed in November 2006 to consolidate phases and re-open the record. In addition, the Order abated the Phase I proceeding pending a decision by the Oregon Court of Appeals of the 2003 Remand, and ordered that a second phase of the joint remand

proceedings be immediately commenced to investigate the OPUC's delegated authority to engage in retroactive ratemaking. The Order further stated that parties not now participating in the joint remand proceedings will be allowed to intervene and participate in the second phase.

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.

**Colstrip Royalty Claim** - Western Energy Company (WECO) supplies coal from the Rosebud Mine in Montana under a Coal Supply Agreement and a 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. The owners of Colstrip Units 3 and 4 advised WECO that their position would be that these claims are not allowable costs under either the Coal Supply Agreement or the Transportation Agreement.

Management cannot predict the ultimate outcome of the above matters or estimate any potential loss. 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.

**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 from the EPA a "Notice of Potential Liability" regarding the Harborton Substation facility. The notice listed sixty-eight other companies that the EPA believes may be Potentially Responsible Parties (PRPs) with respect to the Portland Harbor Superfund Site.

In February 2002, PGE provided a report on its remedial investigation of the Harborton site to the Oregon Department of Environmental Quality (DEQ). The report concluded 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 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 report to the EPA and, in a May 18, 2004 letter, the EPA notified the DEQ that, based on the summary information from the DEQ and the stage of the process, the EPA, as of that time, agreed, the Harborton site does not appear to be a current source of contamination to the river.

In December 6, 2005 letter, the DEQ notified PGE that the site is not likely a current source of contamination to the river and that the site is a low priority for further action. 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 condition, results of operations or cash flows.

**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 biphenyls (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 started 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. PGE, along with other PRPs, is negotiating an Administrative Order of Consent with the EPA to conduct a Remedial Investigation/Feasibility Study.

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 condition, results of operations or cash flows.

**Receivables and Refunds on Wholesale Market Transactions** - On March 12, 2007, PGE reached a settlement that resolves all issues between the Company and certain California parties relating to wholesale energy transactions in the western markets during the January 1, 2000 through June 20, 2001 time period. The settlement resolves a number of proceedings and investigations before the Federal Energy Regulatory Commission (FERC) and the U.S. Ninth Circuit Court of Appeals relating to various issues and claims in the California refund case (Docket No. EL00-95), the issue of refunds for the summer 2000 period, investigations of anomalous bidding activities and market practices (Docket Nos. IN03-10-000 and EL03-165-000), claims for refunds related to sales in the Pacific Northwest (Docket No. EL01-10), and the complaint by the California Attorney General for refunds from market-based rates retroactively to May 1, 2000. In addition to PGE, parties to the settlement (collectively referred to as the California Parties) include the California Attorney General, the California Department of Water Resources, the California Electricity Oversight Board, the California Public Utilities Commission, Southern California Edison Company, Pacific Gas & Electric Company, and San Diego Gas & Electric Company. Other affected market participants will be given the opportunity to join the settlement, but releases as to those parties do not cover transactions outside of the California organized markets, including potential claims in the Pacific Northwest. The rights of parties electing not to join the settlement are unaffected and they will neither receive the benefits of the settlement nor be subject to its obligations. PGE believes that any amount that it may owe to non-settling parties related to transactions in the California organized market would not be material. The settlement has been filed with the FERC for its approval.

PGE currently estimates that if the FERC approves the settlement it will receive a net cash payment from the California Power Exchange (PX) of approximately \$27 million, which includes net interest on its past due receivables. PGE had previously established a reserve of \$40 million related to these matters based upon its estimation of the potential liability. Based upon the terms of the settlement, PGE adjusted the reserve to approximately \$34 million at March 31, 2007 and recorded a pre-tax increase to income of approximately \$6 million in the first quarter of 2007 (reflected as a reduction to Purchased Power and Fuel expense).

Under terms of the settlement, all but \$1.78 million of PGE's \$62.7 million receivable balance, plus associated interest as of December 31, 2006 of \$25.3 million, will be released either to an escrow account for payment to refund recipients or in cash to PGE. Under the settlement, PGE has agreed to refund to the market \$65.4 million, which is comprised of a principal settlement amount of \$48.4 million plus estimated interest of \$17.0 million as of December 31, 2006. However, only \$42.3 million of the principal settlement amount will be paid out in the settlement because PGE is receiving a \$6.1 million credit for a payment in that amount that it made to certain of the California Parties in another proceeding. Thus, if the settlement is approved by the FERC, PGE will assign \$59.3 million of the balance in its receivables account (plus additional interest accrued to the projected date of distribution) to an escrow account for distribution to the California Parties and other settling participants. PGE's interest stated above will also be adjusted forward to the projected date of distribution under the settlement. The settlement also provides that the PX will continue to hold a reserve of approximately \$1.78 million that can be used to fulfill miscellaneous continuing obligations under the FERC refund proceedings. Any amount not so used would ultimately be returned to PGE.

**Challenge of the California Attorney General to Market-Based Rates** - On March 20, 2002, the California Attorney General filed a complaint with the FERC against various sellers in the wholesale power market, alleging that the FERC's authorization of market-based rates violated the Federal Power Act (FPA), and, even if market-based rates were valid under the FPA, that the quarterly transaction reports required to be filed by sellers, including PGE, did not contain the transaction-specific information mandated by the FPA and the FERC. The complaint argued that refunds for amounts charged between market-based rates and cost-based rates should be ordered. The FERC denied the challenge to market-based rates and refused to order refunds, but did require sellers, including PGE, to re-file their quarterly reports to include transaction-specific data. The California Attorney General appealed the FERC's decision to the Ninth Circuit. On September 8, 2004, the Court issued an opinion upholding the FERC's authority to approve market-based tariffs, but also holding that the FERC had the authority to order refunds, if quarterly filing of market-based sales transactions had not been properly made. The Court required the FERC, upon remand, to reconsider whether refunds should be ordered. On October 25, 2004, certain parties filed a petition for rehearing with the Court. On July 31, 2006, the Court summarily denied rehearing, and on December 28, 2006, PGE joined with other parties in filing a petition for certiorari of this decision with the U.S. Supreme Court. On February 5, 2007, the California Attorney General filed in opposition to the petition for certiorari, or, in the

alternative if the petition is granted, a cross-petition for certiorari challenging the legality of market-based rate tariffs.

In the refund case and in related dockets, including the above challenge to market based rates, the California Attorney General and other parties have argued that refunds should be ordered retroactively to at least May 1, 2000. The March 12, 2007 settlement in the California refund case described above resolves all claims as to market-based rates in western energy markets as between PGE and the named California Parties during the settlement period, January 1, 2000 through June 21, 2001; however, it does not settle such claims from market participants who do not opt-in to the settlement, nor does it settle such potential claims arising from transactions with other market participants outside of the California Independent System Operator ("CAISO") and PX markets. Management cannot predict the outcome of these proceedings or whether the FERC will order refunds retroactively to May 1, 2000, and if so, how such refunds would be calculated.

**Pacific Northwest** - In the July 25, 2001 order, the FERC also called for a preliminary evidentiary hearing to explore whether there may have been unjust and unreasonable charges for spot market sales of electricity in the Pacific Northwest from December 25, 2000 through June 20, 2001. During that period, PGE both sold and purchased electricity in the Pacific Northwest. In September 2001, upon completion of hearings, the appointed administrative law judge issued a recommended order that the claims for refunds be dismissed. In December 2002, the FERC re-opened the case to allow parties to conduct further discovery. In June 2003, the FERC issued an order terminating the proceeding and denying the claims for refunds. In July 2003, numerous parties filed requests for rehearing of the June 2003 FERC order. In November 2003 and February 2004, the FERC issued orders that denied all pending requests for rehearing. Parties have appealed various aspects of these FERC orders. Briefing has been completed and oral argument was held on January 8, 2007. A decision in the case is pending.

The March 12, 2007 settlement in the California refund case described above resolves all claims as between PGE and the named California Parties as to transactions in the Pacific Northwest during the settlement period, January 1, 2000 through June 21, 2001; however, it does not settle such potential claims from other market participants.

Management cannot predict the ultimate outcome of the above matter related to wholesale transactions in the Pacific Northwest. However, it believes that the outcome 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 future reporting periods.



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

April 9, 2007

Mr. Barry Cain, President  
Gramor Development  
19767 SW 72<sup>nd</sup> Ave., Suite 100  
Tualatin, Oregon 97062

Dear Mr. Cain;

**Re: Request for Bid** ~ Unimproved Real Property, located neat the intersection of SE Damascus Lane and SE Foster Road, in the City of Damascus, Clackamas County, Oregon, more particularly described in Exhibit "1" hereto (the "Property")

Dear Prospective Bidder:

Portland General Electric Company ("PGE") will receive sealed Bids at the address listed herein no later than 5:00 PM (PDT) Friday, May 25, 2007 (the "Bid Closing Date") for the above described Property.

**MINIMUM ACCEPTABLE BID AMOUNT OF BID IS ONE MILLION DOLLARS (\$1,000,000.00).**

All Bids shall be prepared and submitted in accordance with these instructions and all Bids submitted shall become the sole property of PGE. Bids must be in writing, set forth the sum that the Bidder is offering to pay for the Property in US Dollars and sealed in an envelope and the exterior marked with the following to distinguish it from routine mail, addressed as follows:

Damascus Property Bid Response  
Portland General Electric Company  
Attn: Mike Livingston 1WTC0401  
121 SW Salmon Street  
Portland, Oregon 97204

Bidders have full responsibility for delivery of Bids on time. Bids not received at the above location by the specified time noted will not be accepted. PGE will not be liable for costs incurred by Bidders in the preparation, delivery, and/or presentation of their response, or with respect to any due diligence or inspections or analysis of the Property.

Bidder may, without prejudice to itself, modify or withdraw a Bid by written request, provided that the Bid and any withdrawal request is received by PGE prior to the Bid Closing Date at the place where the Bids are to be received. Following withdrawal of its Bid, Bidder may submit a new Bid, provided it is received by PGE prior to the Bid Closing Date. All Bids become irrevocable and subject to acceptance by PGE as of the Bid Closing Date.

PGE reserves the right to request clarifications and changes to the Bid. PGE reserves the right to reject any and all Bids. PGE reserves the right to waive minor irregularities and informalities in any Bid and to sell the asset to the Bidder it deems to be most suitable in its sole discretion. PGE reserves the right to cancel the sale and bidding process at any time prior to closing in its sole discretion. PGE shall not be bound to sell the Property based on the highest Bid.

Exhibit "I-1" Damascus Transaction

PGE Property Sale  
Request for Bids  
April 9, 2007  
Page 2 of 7 Pages

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PGE will conduct a private Bid opening within five (5) business days of the Bid Closing Date. Bids will not be disclosed to either the public or other Bidders. Bids will remain open and subject to acceptance by PGE for a period of ten (10) business days after the Bid Closing Date. Unsuccessful Bidders will be so notified within a reasonable time after the acceptance of a Bid or the rejection of all Bids.

The successful Bidder will be required to deliver the purchase price to PGE (in the form of a Wire Transfer or Certified/Cashier's Check) and close the sale within twenty (20) days following receipt of written notice from PGE that PGE has obtained approval from the OPUC upon terms and conditions acceptable to PGE.

Property is sold by PGE and accepted by the successful Bidder Sold as one unit/lot, "**AS IS; WHERE IS**", with all faults, latent and patent, known and unknown, free of encumbrances created or suffered by PGE and without any warranty of any type or nature

PGE will permit Bidders and their agents to inspect the Property in accordance with Section 3 of the Terms and Conditions which follow. PGE commissioned a Level I Environmental Assessment of the Property with DeMinimis, Inc., dated July 22, 2003, a copy of which is available upon written request. PGE further commissioned a Survey of the Property with David Evans & Associates dated October 3, 2003, a copy of which is available upon written request. PGE also acquired an Owner's ALTA Title Insurance Policy dated March 3, 2004, from Fidelity National Title Insurance Company, a copy of which is available upon request.

Any deviation from or exceptions to the terms, conditions, or requirements set forth herein deemed material by PGE may result in a Bid being rejected. The terms and conditions of the attached Terms and Conditions of Sale are incorporated by reference herein and shall apply to all Bids and any subsequent sale. Submission of a Bid to Purchase the Property will constitute the agreement of the prospective purchaser to the Terms and Conditions of Sale.

Your prompt attention to this matter is appreciated.

Very truly yours,

**PORTLAND GENERAL ELECTRIC COMPANY**



Mike Livingston  
Manager, Property Services

Enclosures: Terms and Conditions of Bid and Sale  
Property Description



May 25, 2007

Mike Livingston  
Manager, Property Services  
**Portland General Electric**  
121 SW Salmon Street  
Portland, OR 97204

Via Hand Delivery

**RE: Damascus Property - Request for Bid**

Dear Mike:

We are pleased to offer a bid of One Million Two Hundred and Fifty Thousand and 00/100 Dollars (\$1,250,000.00) for the "Property" described in Exhibit "1" in your Request for Bid dated April 9, 2007.

We firmly believe we are highly qualified to acquire and redevelop this site into a vibrant mixed-use center. As you will note on the attached assessor map of the "Property", Gramor has been acquiring adjacent land in order to develop a significant retail center at this key location serving as the western entrance to Damascus City Center. It is our intention to continue developing this site in the manner that has given us a great reputation of building retail centers providing significant long term value using architectural design, and creating places where the community is proud of the center.

In an effort to substantiate our qualifications we are enclosing some project photos showcasing some of our existing developments including Lake View Village, West Linn Central Village, Canby Market Center and the Murray Scholls Town Center. This represents just a few of our 57 projects Gramor has developed locally since 1986. And, as you are intimately aware, Gramor has had the pleasure in purchasing real properties from PGE in the past.

Gramor projects display a variety of architectural designs, each specifically intended to appeal to the users and the surrounding neighborhoods. We ask that you respond favorably and accept our bid offer so that we may continue our quality redevelopment efforts for the Damascus City Center.

Sincerely  
**Gramor Investments, Inc.**

A handwritten signature in black ink, appearing to read "David C. Copenhaver".

David C. Copenhaver  
Vice President - Development

DCC:kw  
attachments



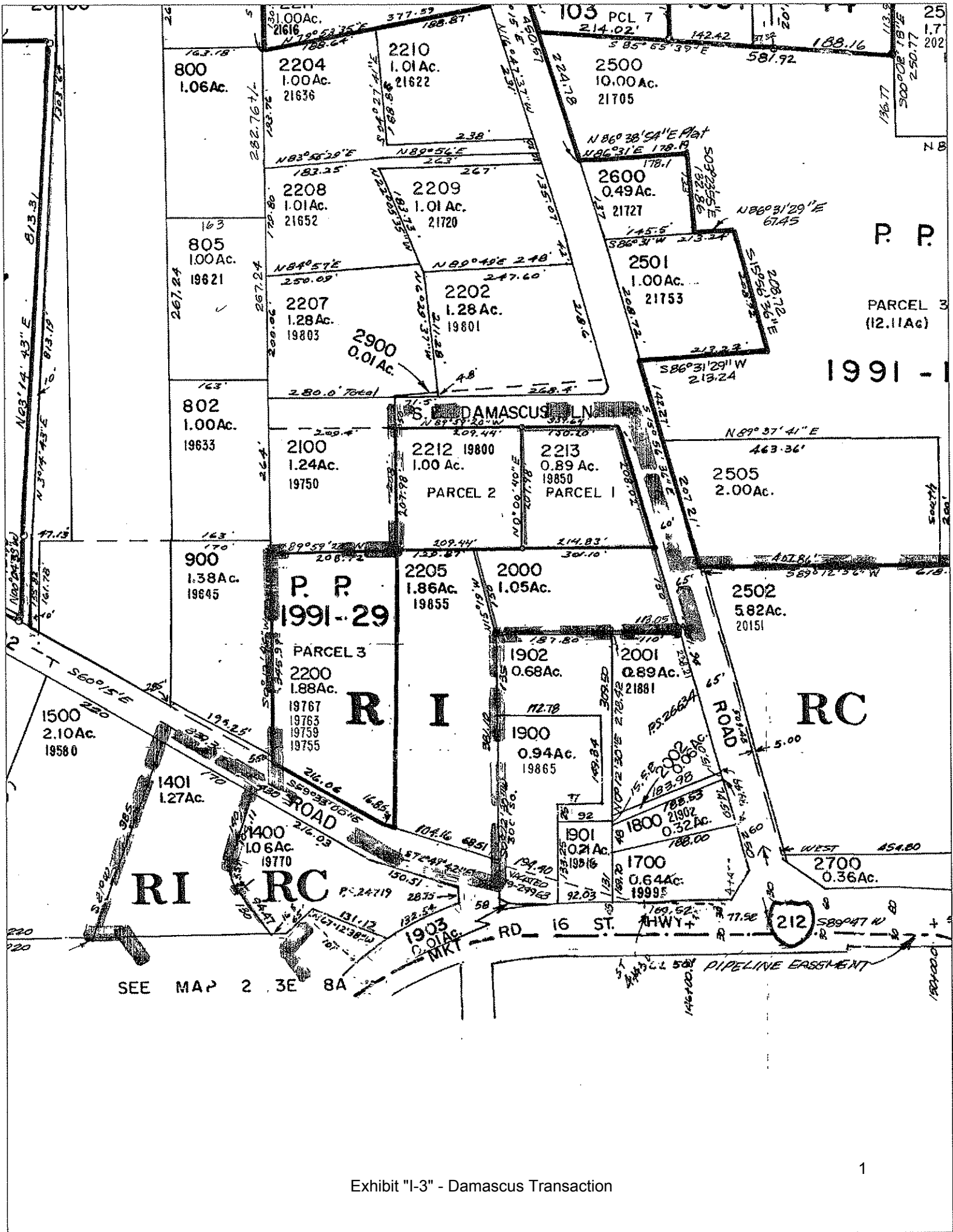


Exhibit "I-3" - Damascus Transaction

REAL PROPERTY CONSULTANTS Exhibit "I-4" - Damascus Transaction

P O R T L A N D

4805 S.W. OLESON ROAD • PORTLAND, OREGON 97225

503/297-9046  
Fax 503/297-8908

March 13, 2007

Mike Livingston, Manager Property Services  
Portland General Electric  
121 SW Salmon Street, 1 WTC-0401  
Portland, OR 97204

Re: PGE Damascus Surplus property  
19850 SE Damascus Lane, Damascus, Oregon 97089  
RPC File No. 07-001

Dear Mr. Livingston:

In accordance with your request, we have conducted an appraisal to estimate the Market Value of the above-referenced property. It is our opinion, based on an investigation and analysis of the available data that the value of the subject property, as of February 28, 2007, is:

**ONE MILLION DOLLARS  
(\$1,000,000)**

This report was developed as a Complete Appraisal and presented as a Summary Appraisal Report. This report has been prepared in conformance with the Uniform Standards of Professional Appraisal Practices of the Appraisal Standards Board. This report is also in compliance and subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute. The value as reported is subject to all Assumptions and Limiting Conditions presented in the attached report.

Respectfully Submitted,



George W. Donnerberg, MAI  
Oregon Certification No. C000075



John V. Donnerberg  
Oregon Certification No. C000554

JVD/GWD:eh

**REAL PROPERTY CONSULTANTS, INC.**

AFFILIATE OFFICES:

Real Property Consultants Portland  
Real Property Consultants Salem  
Real Property Consultants Medford  
Real Property Consultants Klamath Falls

*Each office is independently owned and operated.*