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Send confidential information, voluminous reports, or energy utility Results of Operations Reports to PUC Filing Center, PO Box 1088, Salem, OR 97308-1088 or by delivery service to 201 High Street SE Suite 100, Salem, OR 97301.



Portland General Electric
 121 SW Salmon Street • Portland, Ore. 97204
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April 25, 2018

Filing Center
 Electric and Natural Gas Division
 Public Utility Commission of Oregon
 201 High St. SE, Suite 100
 Salem, Oregon 97301

Re: PGE’s Regulated Results of Operations for 2017

Filing Center:

Attached is a copy of the Regulated Results of Operations Report for the period January 1, 2017 to December 31, 2017. The attachments also include summary work papers. To create the regulated adjusted and pro forma earnings views, we apply the adjustments identified in this report from Commission Order No. 15-356 (Docket No. UE 294) and the OPUC Staff letter dated March 25, 1992 (RE: Semiannual Adjusted Results of Operations Reports).

Table 1: PGE 2017 Financial Results

	Actual Utility Results	Regulated Utility Actuals	Regulated Adjusted Results	Pro Forma Results
Rate of Return (ROR)	6.27%	6.27%	6.65%	6.93%
Return on Equity (ROE)	7.17%	7.17%	7.90%	8.65%

PGE’s UE 294 base rates authorized through Commission Order No. 15-356 were effective January 1, 2016.

Actual Utility Results

PGE’s actual utility results come directly from PGE’s general ledger system. The primary drivers of PGE’s 2017 actual utility results are increased revenues (driven by weather), offset by: increased depreciation and deferred tax expense, higher than forecasted power costs, plus significant storm-related restoration costs.

Regulated Utility Actuals

Regulated utility actual results are computed by adjusting actual recorded results for:

- Reclassification of approximately \$132.0 million from revenue to net variable power cost, consisting of sales for resale; steam sales; and resales of gas, oil, and transmission; and
- Other accounting adjustments, as specified at pages ii and iii of the Report.

The regulated actual return on equity was 7.17%. The regulated utility actuals are used to calculate the “Regulated Adjusted Results of Operations,” which is consistent with the Commission Order in the most relevant rate case (Docket No. UE 294).

Regulated Adjusted Results of Operations

The regulated adjusted results are computed by adjusting the regulated utility actuals of Table 1 for disallowances and adjustments agreed upon in the most recent general rate case, as well as other regulatory adjustments specified at pages iii through iv of the Report. Due to PGE's Power Cost Adjustment Mechanism (PCAM – approved by Commission Order No. 07-715), we did not normalize power costs or weather because it is not appropriate to assume away the conditions that produce the power cost variance. The regulated adjusted ROE is 7.90%.

Pro Forma Results

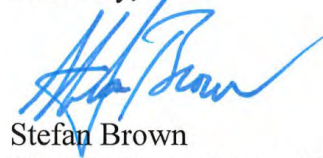
Finally, the OPUC requires utilities to estimate “Pro Forma” results, or a forward look, using the Results of Operations. Utilities are required to:

- Reflect end-of-period rate base (approximately \$97.9 million decrease reflecting an increase in accumulated depreciation, partially offset by a slight increase in utility plant in service);
- Estimate additional costs and revenues that would have occurred if the utility had the year-end number of customers for the entire year. For PGE, this adjustment would increase revenues by approximately \$8.4 million;
- Remove significant nonrecurring events (OPUC Staff letter dated March 25, 1992):
 - Reverse the 2017 annual power cost variance calculated under the PCAM to reflect normal power costs, which are more indicative of future results.

The impact of these adjustments increased the regulated ROE from 7.90% (Regulated Adjusted Results) to 8.65% (Pro Forma Basis).

If you have any questions, please call me at (503) 464-7805, or Greg Batzler at (503) 464-8644.

Sincerely,



Stefan Brown
Manager, Regulatory Affairs

SB:np

encls.

cc: Bob Jenks, CUB
Tyler Pepple, AWEC

REPORT OF OPERATIONS
TABLE OF CONTENTS 2017 REPORT

<u>Description</u>	<u>Page</u>
Description of Report	i
Results of Operations Report	
Summary of all Adjustments	1
Summary of Utility Accounting Adjustments: Type 1	4
Summary of Regulatory Adjustments: Type 1	6
Summary of Annualizing Adjustments: Type 2	8
Composite Cost of Capital	10

Work papers are included in a separate attachment.

1. Description of Report

The Results of Operations Report (ROO) adjusts the calendar year 2017 operating results that PGE reported to investors to provide a regulatory perspective reflecting decisions in the Docket No. UE 294 proceeding and the March 25, 1992 OPUC Staff letter. This provides a "Regulated Adjusted Results of Operation." In addition, consistent with the OPUC's reporting guidelines, we make certain "annualizing adjustments" to show operating results adjusted to period-end.

The ROO was originally intended to provide the Commission with operating results on a comparatively forward-looking basis. Because of the potential volatility in power and natural gas markets, however, the historic operating environment is less useful in forecasting future operating performance.

In this report we included Type II adjustments for "Nonrecurring Events." We incorporated these adjustments to "remove recorded entries related to significant nonrecurring events," as required by the OPUC Staff letter dated March 25, 1992 (RE: Semiannual Adjusted Results of Operations Reports, page 3). Our main concern here was to eliminate those entries that may materially bias the pro forma results.

PGE's actual utility results (column 1) operating income in 2017 increased by approximately \$9.0 million from 2016, reflecting a decrease in power costs compared with 2016.

1.1 Recorded Actuals

Columns 1 through 3 on page 1 of the Results of Operations Report present the recorded actual amounts. Column 1 represents PGE's actual utility results; column 3 is PGE's financial statement for regulatory reporting. Section 1.2 discusses the adjustments in column 2.

The General Ledger Detail section of the work papers provides detail for column 1. The first two work paper documents, "Regulated Financial Detail" and "Results of Operations" restate column 1 into a rate case format (versus an external reporting format). Pages 4 and 5 summarize and report all utility accounting adjustments (column 2).

The "General Ledger Detail" section of work papers also includes the monthly detail for constructing the actual capital structure and the average rate base. Please note that the pro forma return on equity (ROE) calculation is based upon the end-of-period capital structure. All of the data, with the exception of the effective cost of debt, come directly from PGE's general ledger system. The effective cost of debt includes the cost associated with the debt issuance and incorporates any adjustments authorized by the Commission in Order No. 15-356.

1.2 Utility Accounting Adjustments: Type 1

There are seven Type 1 accounting adjustments for 2017. The adjustments are found on pages 4 and 5, and are described below.

- Column 1: Revolving Credit Fees and Interest on Customer Deposits
This adjustment reflects interest costs that would otherwise not appear in utility operating income:
- In Docket No. UE 215, the parties stipulated that PGE would include revolving credit facility fees in A&G costs (Commission Order No. 10-410, Appendix A, page 2 of 9). For 2017, the revolving credit facility fees totaled approximately \$1.0 million.
 - Because PGE receives deposits from retail customers, which are included in rate base, we adjust Other Revenue for the interest paid on those amounts. The adjustment of approximately \$0.05 million reflects the net difference of interest paid and received on these deposits.
- Column 2: Regional Power Act (RPA) Reversal
The effects of the RPA settlement are reversed for regulatory analysis. Since these benefits are a “flow-through” item to customers, their effects on tariffs and Other Revenues are removed.
- Column 3: Steam Sales, Sales for Resale, Transmission, Oil and Gas Resale
Sales for Resale of approximately \$116.3 million plus steam sales and gas, oil, and transmission resales of approximately \$15.6 million are reclassified from revenues to net variable power costs for regulatory analysis.
- Column 4: Out-of-Period and Other Adjustments
For 2017, we adjust for the following item:
- We debit wheeling expense by approximately \$0.7 million to reverse the 2017 amortized portion of PGE’s 2015 net payment¹ for acquiring BPA wheeling rights from two third parties in 2015. For GAAP accounting purposes, PGE booked the full payment to a regulatory asset, which will be amortized beginning when PGE uses the rights. Because PGE acquired the wheeling rights in 2015, we reflected the net amount in the 2015 ROO. The 2017 debit reverses amortized portion of the net amount of wheeling rights used for 2017.

¹ Gross payment less fees to BPA to defer the rights for later use.

- Column 5: Utility Tax Adjustment (Interest Adjustment)
 This adjustment accounts for the difference between PGE Consolidated interest expense and PGE (utility only) interest expense. To accomplish this, we reduce interest expense and the associated interest deduction for tax purposes. This reduction is made using the proportion of the interest costs exceeding that associated with rate base. The effect of this adjustment is to increase income tax expense. The adjustment is calculated based on the methodology established in Docket No. UE 79, and continued in Docket No. UE 88 and subsequent rate cases.
- Column 6: Carty Capital Lease Payment Reclassification
 This entry reclassifies the O&M and property tax portion of the Carty capital lease to net variable power costs, consistent with the recording of these costs for FERC regulatory accounting purposes.
- Column 7: Add Salmon Springs Hospitality Group (SSHG) Net Income
 Per Commission Order No. 06-250 (Docket UI 248), the net income for PGE's affiliate SSHG is to be "credited to PGE regulated accounts." Because PGE no longer records this net income in Other Revenue, we reflect it as a Type I Accounting Adjustment.

1.3 Regulatory Adjustments: Type 1

Pages 6 and 7 contain the regulatory adjustments. Each adjustment is described below with supporting documentation in the appropriate work papers. Due to PGE's Power Cost Adjustment Mechanism (PCAM) approved by Commission Order No. 07-715, Docket UE 180, we did not normalize hydro or wind conditions, plant operations, or weather.

- Column 1: Advertising Categories "A" and "C" and Corporate Image
 PGE reduces Customer Service and A&G costs by approximately \$0.72 million as follows:
- Per OAR 860-026-0022 (3)(a) PGE limits its Category A advertising expense to "twelve and one-half hundredths of 1 percent (0.125 percent) ... of the gross retail operating revenues."
 - 100% of Category "C" advertising and corporate image expenditures.
- Column 2: Supplemental Executive Retirement Plan (SERP)
 Although the recent rate order (No. 15-356 in Docket UE 294) did not specifically exclude this cost from PGE's revenue requirement, we remove it here because it was consistently and fully disallowed in prior Commission decisions. This adjustment removes approximately \$1.4 million in costs from regulated results of operations.

- Column 3: Management Deferred Compensation Plan (MDCP)
Although the recent rate order (No. 15-356 in Docket UE 294) did not specifically exclude this cost from PGE's revenue requirement, we remove it here because it was consistently and fully disallowed in prior Commission decisions. This adjustment removes approximately \$5.6 million in costs from regulated results of operations.
- Column 4: Officer Incentive Pay
Although the recent rate order (No. 15-356 in Docket UE 294) did not specifically exclude this cost from PGE's revenue requirement, we remove it here because it was consistently and fully disallowed in prior Commission decisions. This adjustment removes approximately \$7.0 million in costs from regulated results of operations.
- Column 5: Carty Incremental Capital Adjustment
Commission Order No. 15-356 states, "If Carty capital costs are higher than the designated amount, PGE may not recover those costs through the Carty tariff rider." Therefore, this adjustment removes approximately \$123.3 million from utility plant in service and approximately \$4.6 million of associated depreciation from regulated results of operations to reflect to portion of Carty's capital costs beyond the \$514 million allowed in Docket No. UE 294.
- Column 6: Portland Harbor Environmental Remediation Account Adjustment
Commission Order No. 17-071 states, "PGE's ROO will not include the interest or accumulated deferred income taxes included in the PHERA. Similarly, PGE will remove all other costs and revenues included in the PHERA from the ROO." Therefore, this adjustment removes approximately \$3.56 million from other revenue and approximately \$2.0 million from administrative and general costs. Similarly, no interest or accumulated deferred income taxes were included in PGE's actual utility results used for the ROO.

1.4 Annualized Adjustments: Type II

Pages 8 and 9 contain the annualizing adjustments. We describe each adjustment below and provide supporting documentation in the work papers.

- Column 1: Period-End Rate Base and Escalation
We adjust rate base accounts to show year-end balances, rather than average balances. We also annualized the following expense items with a half-year of escalation. The escalation rate is based on "CPI, All Items, Urban Consumers" in Global Insight's U.S. Economic Outlook.
- * Fixed Plant
 - * Transmission
 - * Distribution
 - * Customer Accounts

- * Customer Service and Sales
- * Administration and General
- * Taxes Other Than Income

The escalation adjustment adds the effects of inflation to those expenses actually incurred by PGE to support its customer base. The escalation of expenses is not designed to account for the increased activities and expenses associated with the addition of new customers throughout the year. End-of-Period Customer costs are discussed in Column 3 below.

Column 2: Nonrecurring Events

PGE applies this adjustment to remove entries related to significant nonrecurring events. Utilities were instructed to do so in the OPUC Staff letter dated March 25, 1992 in order to eliminate those costs and revenues that should not be relied upon on a forward-looking basis. In 2017, we identified the following:

- Net Variable Power Cost (NVPC): As discussed above, PGE does not normalize actual NVPC because of PGE's PCAM. However, on a forward looking (pro forma) basis, we project NVPC on a normal basis. Consequently, we remove the 2017 annual power cost variance to reflect normal results, which is more indicative of a going-forward basis. The 2017 annual power cost variance is approximately \$15.0 million.

Column 3: End-of-Period Annualizing Adjustment

This adjustment estimates the additional costs and revenues that would have occurred if PGE had the year-end number of customers for the entire year. Incremental O&M and retail revenues are estimated based on actual average O&M per customer and PGE's year-end retail rate for 2017. No annualizing cost adjustment is required for large industrial, large commercial, or street-lighting customers.

1.5 Capital Structure

We used the actual average capital structure for the ROE calculation. For the pro forma ROE calculation, we estimated the actual end of period capital structure. The capital structure detail is shown on Page 10. The long-term debt and preferred stock detail are found in the "General Ledger Detail" section of the work papers.

1.6 Costs and Revenues for Meter Information Services

In May 2005, OPUC Staff and PGE stipulated to an agreement in Docket No. UE 156 concerning meter information services and the E-Manager program. The stipulation was approved by OPUC Order No. 05-703. Condition No. 7 of the Order (Appendix A, page 3) specifies that PGE will provide the fully allocated costs and revenues of these services in PGE's Regulated Results of Operation Report.

In 2017, total revenues for meter information services were \$437,736. The fully allocated costs were \$231,028. Table 1 below specifies revenues and costs by FERC account.

Table 1 - Costs and Revenues for Meter Information Services, year 2017

<u>FERC Account No.</u>	<u>Amount (\$)</u>
451	(399,426)
417	<u>(38,310)</u>
<i>Total Revenues</i>	<u>(437,736)</u>
903	429
908	215,542
929	(2,040)
417.1	<u>17,097</u>
<i>Total Costs</i>	<u>231,028</u>

PORTLAND GENERAL ELECTRIC
OPUC REGULATORY REPORTING
RESULTS OF OPERATIONS
January 2017 through December 2017

PORTLAND GENERAL ELECTRIC
OPUC REGULATORY REPORTING
RESULTS OF OPERATIONS

Page 1

January 1, 2017 - December 31, 2017

(Thousands of Dollars)

Regulatory adjustments based on Docket UE 294, Order 15-356	Actual Utility Results	Type I Accounting Adjustments	Regulated Utility Actuals	Type I Adjustments	Regulated Adjusted Results	Type II Adjustments	Pro Forma Results
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Operating Revenues							
Sales to Consumers	1,858,861	(131)	1,858,730	(3,560)	1,855,169	7,392	1,862,562
Sales for Resale	116,335	(116,335)	0	0	0	0	0
Other Operating Revenues	41,241	(15,554)	25,687	0	25,687	0	25,687
Total Operating Revenues	2,016,437	(132,021)	1,884,417	(3,560)	1,880,856	7,392	1,888,249
Operation & Maintenance							
Net Variable Power Cost	601,778	(127,158)	474,621	0	474,621	(13,169)	461,452
Total Fixed O&M	304,629	(3,326)	301,302	0	301,302	3,625	304,928
Other O&M	262,416	957	263,373	(16,733)	246,640	2,334	248,973
Total Operation & Maintenance	1,168,823	(129,527)	1,039,296	(16,733)	1,022,563	(7,210)	1,015,353
Depreciation & Amortization	342,742	0	342,742	(4,556)	338,186	1,830	340,016
Other Taxes / Franchise Fee	122,375	(745)	121,630	(91)	121,539	1,157	122,696
Income Taxes	85,026	(1,943)	83,083	8,343	91,426	5,630	97,056
Total Oper. Expenses & Taxes	1,718,966	(132,216)	1,586,751	(13,037)	1,573,714	1,406	1,575,120
Utility Operating Income	297,471	195	297,666	9,476	307,142	5,986	313,128
Rate of Return	6.27%		6.27%		6.65%		6.92%
Return on Equity	7.17%		7.17%		7.90%		8.64%
ROE based on actual capital structure.							
Average Rate Base							
Utility Plant in Service	9,845,463	0	9,845,463	(123,295)	9,722,168	146,314	9,868,481
Accumulated Depreciation	4,532,983	0	4,532,983	0	4,532,983	226,954	4,759,937
Accumulated Def. Income Taxes	645,373	0	645,373	0	645,373	14,492	659,865
Accumulated Def. Inv. Tax Credit	0	0	0	0	0	0	0
Net Utility Plant	4,667,107	0	4,667,107	(123,295)	4,543,813	(95,133)	4,448,680
Deferred Programs & Investments	24,315	0	24,315	0	24,315	(5,998)	18,317
Operating Materials & Fuel	76,473	0	76,473	0	76,473	2,378	78,851
Misc. Deferred Credits	(80,099)	0	(80,099)	0	(80,099)	(36)	(80,135)
Unamortized Ratepayer Gains	0	0	0	0	0	0	0
Working Cash	57,429	(12)	57,417	(473)	56,944	830	57,774
Total Average Rate Base	4,745,226	(12)	4,745,214	(123,768)	4,621,446	(97,959)	4,523,487

PORTLAND GENERAL ELECTRIC
OPUC REGULATORY REPORTING
RESULTS OF OPERATIONS
January 1, 2017 - December 31, 2017
(Thousands of Dollars)

	Actual Utility Results	Type I Accounting Adjustments	Regulated Utility Actuals	Type I Adjustments	Regulated Adjusted Results	Type II Adjustments	Pro Forma Results
	(1)	(2)	(3) (1+2)	(4)	(5) (3+4)	(6)	(7) (5+6)
Operating Revenues							
1 Residential	900,172	64,933	965,104	0	965,104	3,906	969,010
2 Commercial	633,721	0	633,721	0	633,721	3,486	637,207
3 Industrial	191,760	0	191,760	0	191,760	0	191,760
4 Other	133,209	(65,064)	68,145	(3,560)	64,584	0	64,584
5 Sales to Consumers	1,858,861	(131)	1,858,730	(3,560)	1,855,169	7,392	1,862,562
6a Sales for Resale	116,335	(116,335)	0	0	0	0	0
6 Other Operating Revenues	41,241	(15,554)	25,687	0	25,687	0	25,687
7 Total Operating Revenues	2,016,437	(132,021)	1,884,417	(3,560)	1,880,856	7,392	1,888,249
Operation & Maintenance							
8 Steam VPC	69,991	0	69,991	0	69,991	0	69,991
9 Gas / Other VPC	202,279	4,072	206,351	0	206,351	(15,019)	191,332
10 Production	272,270	4,072	276,342	0	276,342	(15,019)	261,323
11 Purchased Power	244,314	0	244,314	0	244,314	1,851	246,164
12 RPA Exchange	0	0	0	0	0	0	0
13 Sales for Resale	0	(131,889)	(131,889)	0	(131,889)	0	(131,889)
14 Wheeling	85,194	660	85,854	0	85,854	0	85,854
15 Net Variable Power Cost	601,778	(127,158)	474,621	0	474,621	(13,169)	461,452
16 Fixed Plant Cost	164,161	(3,326)	160,834	0	160,834	1,484	162,318
17 Transmission	12,831	0	12,831	0	12,831	106	12,937
18 Distribution	127,637	0	127,637	0	127,637	2,036	129,672
19 Total Fixed O&M	304,629	(3,326)	301,302	0	301,302	3,625	304,928
20 Customer Accounts / Bad Debt	58,493	0	58,493	(14)	58,479	570	59,049
21 Customer Service	15,696	0	15,696	0	15,696	145	15,841
22 Admin. & General / OPUC Fee	188,227	957	189,184	(16,719)	172,465	1,619	174,084
23 Other O&M	262,416	957	263,373	(16,733)	246,640	2,334	248,973
24 Total Operation & Maintenance	1,168,823	(129,527)	1,039,296	(16,733)	1,022,563	(7,210)	1,015,353
25 Depreciation & Amortization	342,742	0	342,742	(4,556)	338,186	1,830	340,016
26 Other Taxes / Franchise Fee	122,375	(745)	121,630	(91)	121,539	1,157	122,696
27 Income Taxes (Non-Federal)	12,085	(353)	11,732	1,516	13,248	1,023	14,271
28 Federal Income Tax Net of ITC	5,389	(1,590)	3,799	6,827	10,626	4,607	15,233
29 Deferred Income Taxes	67,552	0	67,552	0	67,552	0	67,552
30 Current/Deferred Taxes True-up	0	0	0	0	0	0	0
31 I.T.C. Adjustment	0	0	0	0	0	0	0
32 Total Oper. Expenses & Taxes	1,718,966	(132,216)	1,586,751	(13,037)	1,573,714	1,406	1,575,120
33 Utility Operating Income	297,471	195	297,666	9,476	307,142	5,986	313,128

PORTLAND GENERAL ELECTRIC
OPUC REGULATORY REPORTING
RESULTS OF OPERATIONS
January 1, 2017 - December 31, 2017
(Thousands of Dollars)

	Actual Utility Results	Type I Accounting Adjustments	Regulated Utility Actuals	Type I Adjustments	Regulated Adjusted Results	Type II Adjustments	Pro Forma Results
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Average Rate Base							
34 Utility Plant in Service	9,845,463	0	9,845,463	(123,295)	9,722,168	146,314	9,868,481
35 Accumulated Depreciation	4,532,983	0	4,532,983	0	4,532,983	226,954	4,759,937
36 Accumulated Def. Income Taxes	645,373	0	645,373	0	645,373	14,492	659,865
37 Accumulated Def. Inv. Tax Credit	0	0	0	0	0	0	0
38 Net Utility Plant	4,667,107	0	4,667,107	(123,295)	4,543,813	(95,133)	4,448,680
39 Deferred Programs & Investments	24,315	0	24,315	0	24,315	(5,998)	18,317
40 Operating Materials & Fuel	76,473	0	76,473	0	76,473	2,378	78,851
41 Misc. Deferred Credits	(80,099)	0	(80,099)	0	(80,099)	(36)	(80,135)
42 Unamortized Ratepayer Gains	0	0	0	0	0	0	0
43 Working Cash	57,429	(12)	57,417	(473)	56,944	830	57,774
44 Total Average Rate Base	4,745,226	(12)	4,745,214	(123,768)	4,621,446	(97,959)	4,523,487
Income Tax Calculations							
45 Book Revenues		(132,021)		(3,560)		7,392	
46 Book Expenses		(130,273)		(21,380)		(4,223)	
47 Not used		0		0		0	
48 Interest Rate Base @ Weighted Cost of Debt		3,148		(3,203)		(2,569)	
49 Schedule M Differences		0		0		0	
50 State Taxable Income		<u>(4,896)</u>		<u>21,022</u>		<u>14,185</u>	
51 State Income Tax @ 5.12%	7.212%	(353)		1,516		1,023	
52 Additional Tax Depreciation		0		0		0	
53 Federal Taxable Income		(4,543)		19,506		13,162	
54 Fed Tax @ 35%	35.00%	(1,590)		6,827		4,607	
55 ITC @ 0%	0	0		0		0	
56 Current Federal Tax		<u>(1,590)</u>		<u>6,827</u>		<u>4,607</u>	
ITC Adjustment							
57 Deferral		0		0		0	
58 Restoration		0		0		0	
59 Deferred Taxes		0		0		0	
60 Current/Deferred Taxes True-up		0		0		0	
61 Total Income Tax		<u>(1,943)</u>		<u>8,343</u>		<u>5,630</u>	

PORTLAND GENERAL ELECTRIC
OPUC REGULATORY REPORTING
RESULTS OF OPERATIONS
January 1, 2017 - December 31, 2017
(Thousands of Dollars)

UTILITY ACCOUNTING ADJUSTMENTS

Type I Adjustments	Revolving Credit Fees and Int. on Cust. Deps	RPA	Steam, Oil, etc. Sales and Sales-for- Resale	Out of Per and Other Adjs	Utility Tax Adj.	Carty Lateral	Add SSHG Net Income	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Operating Revenues								
1 Residential		64,933						64,933
2 Commercial								0
3 Industrial								0
4 Other Revenue	(50)	(64,933)				0	(81)	(65,064)
5 Unbilled Revenues								0
6 Sales to Consumers	(50)	0	0	0	0	0	(81)	(131)
6a Sales for Resale			(116,335)					(116,335)
7 Other Operating Revenues			(15,554)	0				(15,554)
8 Total Operating Revenues	(50)	0	(131,889)	0	0	0	(81)	(132,021)
Operation & Maintenance								
9 Steam VPC						0		0
10 Nuclear								0
11 Gas / Other VPC						4,072		4,072
12 Production	0	0	0	0	0	4,072	0	4,072
13 Purchased Power						0		0
14 RPA Exchange		0				0		0
15 Sales for Resale			(131,889)			0		(131,889)
16 Wheeling				660		0		660
17 Net Variable Power Cost	0	0	(131,889)	660	0	4,072	0	(127,158)
18 Fixed Plant Cost						(3,326)		(3,326)
19 Transmission						0		0
20 Distribution						0		0
21 Total Fixed O&M	0	0	0	0	0	(3,326)	0	(3,326)
22 Customer Accounts						0		0
23 Customer Service						0		0
24 Administration & General	957			0		0	0	957
25 Other O&M	957	0	0	0	0	0	0	957
26 Total Operation & Maintenance	957	0	(131,889)	660	0	745	0	(129,527)
27 Depreciation & Amortization				0		0		0
28 Taxes Other than Income						(745)		(745)
29 Inc. Taxes (Non-Federal)	(73)	0	0	(48)	(227)	0	(6)	(353)
30 Federal Inc. Tax Net of ITC	(327)	0	0	(214)	(1,022)	0	(26)	(1,590)
31 Deferred Income Taxes	0	0	0	0	0	0	0	0
32 Current/Deferred Taxes True-up	0	0	0	0	0	0	0	0
33 I.T.C. Adjustment	0	0	0	0	0	0	0	0
34 Total Oper. Exp. & Taxes	557	0	(131,889)	398	(1,249)	(0)	(32)	(132,216)
35 Utility Operating Income	(607)	0	0	(398)	1,249	0	(49)	195

PORTLAND GENERAL ELECTRIC
OPUC REGULATORY REPORTING
RESULTS OF OPERATIONS
January 1, 2017 - December 31, 2017
(Thousands of Dollars)

UTILITY ACCOUNTING ADJUSTMENTS

Type I Adjustments	Revolving Credit Fees and Int. on Cust. Deps	RPA	Steam, Oil, etc. Sales and Sales-for- Resale	Out of Per and Other Adjs	Utility Tax Adj.	Carty Lateral	Add SSHG Net Income	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Average Rate Base								
36 Utility Plant in Service								0
37 Accumulated Depreciation								0
38 Acc Def. Income Taxes								0
39 Acc Def. Inv. Tax Credit								0
40 Net Utility Plant	0	0	0	0	0	0	0	0
----								0
41 Deferred Programs & Investments								0
42 Operating Materials & Fuel								0
43 Misc. Deferred Credits								0
44 Unamortized Ratepayer Gains								0
45 Working Cash	20	n/a	n/a	14	(45)	0	(1)	(12)
46 Total Average Rate Base	20	0	0	14	(45)	0	(1)	(12)
Income Tax Calculations								
47 Book Revenues	(50)	0	(131,889)	0	0	0	(81)	(132,021)
48 Book Expenses	957	0	(131,889)	660	0	0	0	(130,273)
49 Not used.								0
50 Int. R-Base @ Wtd Cost of Debt	1	0	0	0	3,147	0	(0)	3,148
51 Schedule M Differences	0	0	0	0	0	0	0	0
52 State Taxable Income	(1,007)	0	0	(660)	(3,147)	0	(81)	(4,896)
53 #REF!	(73)	0	0	(48)	(227)	0	(6)	(353)
54 Additional Tax Depreciation	0	0	0	0	0	0	0	0
55 Federal Taxable Income	(935)	0	0	(613)	(2,920)	0	(75)	(4,543)
56 Fed Tax 35%	(327)	0	0	(214)	(1,022)	0	(26)	(1,590)
57 ITC @ 0%	0	0	0	0	0	0	0	0
58 Current Federal Tax	(327)	0	0	(214)	(1,022)	0	(26)	(1,590)
ITC Adjustment								
59 Deferral	0	0	0	0	0	0	0	0
60 Restoration	0	0	0	0	0	0	0	0
61 Deferred Taxes	0	0	0	0	0	0	0	0
62 Current/Deferred Taxes True-up	0	0	0	0	0	0	0	0
63 Total Income Tax	(400)	0	0	(262)	(1,249)	0	(32)	(1,943)

PORTLAND GENERAL ELECTRIC
OPUC REGULATORY REPORTING
RESULTS OF OPERATIONS
January 1, 2017 - December 31, 2017
(Thousands of Dollars)

Regulatory adjustments based on
Docket UE 294, Order 15-356

Type I Adjustments	Advertising (1)	SERP (2)	MDCP (3)	Incentive Pay (4)	Incremental Carty (5)	PHERA (6)	Total Type 1 Adjustments (7)
Operating Revenues							
1 Residential							0
2 Commercial							0
3 Industrial							0
4 Other Revenue					0	(3,560)	(3,560)
5 Unbilled Revenues							0
6 Sales to Consumers	0	0	0	0	0	(3,560)	(3,560)
6a Sales for Resale							
7 Other Operating Revenues							0
8 Total Operating Revenues	0	0	0	0	0	(3,560)	(3,560)
Operation & Maintenance							
9 Steam							0
10 Nuclear							0
11 Gas / Other VPC							0
12 Production	0	0	0	0	0		0
13 Purchased Power							0
14 RPA Exchange							0
15 Sales for Resale							0
16 Wheeling							0
17 Net Variable Power Cost	0	0	0	0	0	0	0
18 Fixed Plant Cost					0		0
19 Transmission							0
20 Distribution							0
21 Total Fixed O&M	0	0	0	0	0		0
22 Customer Accounts	0	0	0	0	0	(14)	(14)
23 Customer Service	0						0
24 Administration & General	(720)	(1,428)	(5,601)	(6,956)	0	(2,013)	(16,719)
25 Other O&M	(720)	(1,428)	(5,601)	(6,956)	0	(2,028)	(16,733)
26 Total Operation & Maintenance	(720)	(1,428)	(5,601)	(6,956)	0	(2,028)	(16,733)
27 Depreciation & Amortization	0	0	0	0	(4,556)	0	(4,556)
28 Taxes Other than Income	0	0	0	0	0	(91)	(91)
29 Income Taxes (Non-Federal)	52	103	404	502	559	(104)	1,516
30 Federal Income Tax Net of ITC	234	464	1,820	2,260	2,516	(468)	6,827
31 Deferred Income Taxes	0	0	0	0	0	0	0
32 Current/Deferred Taxes True-up	0	0	0	0	0	0	0
33 ITC Adjustment	0	0	0	0	0	0	0
34 Total Oper. Expenses & Taxes	(434)	(861)	(3,377)	(4,194)	(1,481)	(2,690)	(13,037)
35 Utility Operating Income	434	861	3,377	4,194	1,481	(871)	9,476

PORTLAND GENERAL ELECTRIC
OPUC REGULATORY REPORTING
RESULTS OF OPERATIONS
January 1, 2017 - December 31, 2017
(Thousands of Dollars)

Type I Adjustments	Advertising (1)	SERP (2)	MDCP (3)	Incentive Pay (4)	Incremental Carty (5)	PHERA (6)	Total Type 1 Adjustments (7)
Average Rate Base							
36 Utility Plant In Service				0	(123,295)	0	(123,295)
37 Accumulated Depeciation					0	0	0
38 Acc Def. Income Taxes					0	0	0
39 Acc Def. Inv. Tax Credit	0	0	0	0	0	0	0
40 Net Utility Plant	0	0	0	0	(123,295)	0	(123,295)

41 Deferred Programs & Investments							0
42 Operating Materials & Fuel							0
43 Misc. Deferred Credits							0
44 Unamortized Ratepayer Gains							0
45 Working Cash	(16)	(31)	(123)	(152)	(54)	(98)	(473)
46 Total Average Rate Base	(16)	(31)	(123)	(152)	(123,349)	(98)	(123,768)
Income Tax Calculations							
47 Book Revenues	0	0	0	0	0	(3,560)	(3,560)
48 Book Expenses	(720)	(1,428)	(5,601)	(6,956)	(4,556)	(2,118)	(21,380)
49 Not used							0
50 Int. R-Base @ Wtd Cost Debt	(0)	(1)	(3)	(4)	(3,192)	(3)	(3,203)
51 Schedule M Differences	0	0	0	0	0	0	0
52 State Taxable Income	720	1,429	5,604	6,960	7,748	(1,440)	21,022
53 #REF!	52	103	404	502	559	(104)	1,516
54 Additional Tax Depreciation	0	0	0	0	0	0	0
55 Federal Taxable Income	668	1,326	5,200	6,458	7,189	(1,336)	19,506
56 Fed Tax 35%	234	464	1,820	2,260	2,516	(468)	6,827
57 ITC @ 0%	0	0	0	0	0	0	0
58 Current Federal Tax	234	464	1,820	2,260	2,516	(468)	6,827
ITC Adjustment							
59 Deferral	0	0	0	0	0	0	0
60 Restoration	0	0	0	0	0	0	0
61 Deferred Taxes	0	0	0	0	0	0	0
62 Current/Deferred Taxes True-up	0	0	0	0	0	0	0
63 Total Income Tax	286	567	2,224	2,762	3,075	(571)	8,343

PORTLAND GENERAL ELECTRIC
OPUC REGULATORY REPORTING
RESULTS OF OPERATIONS
January 1, 2017 - December 31, 2017
(Thousands of Dollars)

Type II Adjustments	Escalation and Period-End Rate Base (1)	Nonrecurring Events (2)	End-of-Period Annualizing Adjustment (3)	Blank (4)	Total (5)
1 Residential			3,906		3,906
2 Commercial			3,486		3,486
3 Industrial					0
4 Other Revenue					0
5 Unbilled Revenues					0
6 Sales to Consumers	0	0	7,392	0	7,392
6a Sales for Resale					
7 Other Operating Revenues		0			0
8 Total Operating Revenues	0	0	7,392	0	7,392
Operation & Maintenance					
9 Steam					0
10 Nuclear					0
11 Gas / Other VPC		(15,019)			(15,019)
12 Production	0	(15,019)	0	0	(15,019)
13 Purchased Power	0		1,851		1,851
14 RPA Exchange					0
15 Sales for Resale					0
16 Wheeling		0			0
17 Net Variable Power Cost	0	(15,019)	1,851	0	(13,169)
18 Fixed Plant Cost	1,484	0			1,484
19 Transmission	106	0			106
20 Distribution	1,178		858		2,036
21 Total Fixed O&M	2,767	0	858	0	3,625
22 Customer Accounts/Bad Debt	540	0	30	0	570
23 Customer Service	145				145
24 Admin. & General / OPUC Fee	1,591	0	28	0	1,619
25 Other O&M	2,276	0	58	0	2,334
26 Total Operation & Maintenance	5,043	(15,019)	2,766	0	(7,210)
27 Depreciation & Amortization			1,830		1,830
28 Other Taxes/Franchise Fee	0	0	1,157	0	1,157
29 Income Taxes (Non-Federal)	(179)	1,084	118	0	1,023
30 Federal Inc. Tax Net of ITC	(804)	4,880	531	0	4,607
31 Deferred Income Taxes	0	0	0	0	0
32 Current/Deferred Taxes True-up	0	0	0	0	0
33 ITC Adjustment	0	0	0	0	0
34 Total Oper. Exp & Taxes	4,060	(9,055)	6,401	0	1,406
35 Utility Operating Income	(4,060)	9,055	992	0	5,986

PORTLAND GENERAL ELECTRIC
OPUC REGULATORY REPORTING
RESULTS OF OPERATIONS
January 1, 2017 - December 31, 2017
(Thousands of Dollars)

	Escalation and Period-End Rate Base	Nonrecurring Events	End-of-Period Annualizing Adjustment	Blank	Total
	(1)	(2)	(3)	(4)	(5)
Average Rate Base					
36 Utility Plant In Service	146,314				146,314
37 Accumulated Depeciation	226,954				226,954
38 Acc Def. Income Taxes	14,492				14,492
39 Acc Def. Inv. Tax Credit	0				0
40 Net Utility Plant	(95,133)	0	0	0	(95,133)

41 Deferred Programs & Investments	(5,998)				(5,998)
42 Operating Materials & Fuel	2,378				2,378
43 Misc. Deferred Credits	(36)				(36)
44 Unamortized Ratepayer Gains	0				0
45 Working Cash @ 5.20%	926	(329)	232	0	830
46 Total Average Rate Base	(97,862)	(329)	232	0	(97,959)
Income Tax Calculations					
47 Book Revenues	0	0	7,392	0	7,392
48 Book Expenses	5,043	(15,019)	5,752	0	(4,223)
49 Reverse Env. Tax for Calculation	0	0			0
50 Int. R-Base @ Wtd Cost of Debt	(2,567)	(9)	6	0	(2,569)
51 Schedule M Differences	0	0	0	0	0
52 State Taxable Income	(2,477)	15,028	1,634	0	14,185
53 #REF!	(179)	1,084	118	0	1,023
Pollution Control Tax Credit					
54 Net State Taxes					
55 Federal Taxable Income	(2,298)	13,944	1,516	0	13,162
56 Fed Tax @ 35%	(804)	4,880	531	0	4,607
57 ITC @ 0%	0	0	0	0	0
58 Current Federal Tax	(804)	4,880	531	0	4,607
ITC Adjustment					
59 Deferral	0	0	0	0	0
60 Restoration	0	0	0	0	0
61 Deferred Taxes	0	0	0	0	0
62 Current/Deferred Taxes True-up	0	0	0	0	0
63 Total Income Tax	(983)	5,964	649	0	5,630

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PORTLAND GENERAL ELECTRIC
OPUC REGULATORY REPORTING
RESULTS OF OPERATIONS
January 1, 2017 - December 31, 2017
(Thousands of Dollars)

COMPOSITE COST OF CAPITAL

Docket UE 294, Order 15-356	Average Outstanding	Percent of Capital	Percent Cost	Weighted Percent Cost
Long Term Debt	N/A	50.00%	5.419%	2.710%
Preferred Stock	N/A	0.00%	0.000%	0.000%
Common Equity	N/A	50.00%	9.600%	4.800%
Total	0	100.00%		7.510%

Actual Averages	Average Outstanding	Percent of Capital	Percent Cost	Weighted Percent Cost
Long Term Debt	2,258,455	48.62%	5.322%	2.59%
Preferred Stock	0	0.00%	0.000%	0.00%
Common Equity	2,386,313	51.38%	7.173%	3.69%
Total	4,644,768	100.00%		6.27%

Actual End of Period	End of Period Outstanding	Percent of Capital	Percent Cost	Weighted Percent Cost
Long Term Debt	2,436,400	50.21%	5.224%	2.62%
Preferred Stock	0	0.00%	0.000%	0.00%
Common Equity	2,416,211	49.79%	8.635%	4.30%
Total	4,852,611	100.00%		6.92%

Note: End of period capital structure and costs used for Pro Forma ROR and ROE calcs.

Order 91-186 Methodology
Interest Adjustment (Utility Tax Adjustment)

Rate Base	4,745,226
Wtd Cost of Debt	2.59%
Int. for tax deduction	122,785
Int. for tax calculation	119,637
Utility tax adjust.	3,148

Common Equity	Common Equity
Dec '14	2,343,887
Jan '15	2,380,347
Feb '15	2,370,821
Mar '15	2,387,169
Apr '15	2,372,263
May '15	2,384,609
Jun '15	2,391,586
Jul '15	2,383,712
Aug '15	2,399,343
Sep '15	2,402,296
Oct '15	2,384,122
Nov '15	2,405,708
Dec '15	2,416,211

(a) Long-term debt, short-term debt & other (no AFDC).