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

April 28, 2017

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 2016**

Filing Center:

Attached is a copy of the Regulated Results of Operations Report for the period January 1, 2016 to December 31, 2016. 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 2016 Financial Results

	Actual Utility Results	Regulated Utility Actuals	Regulated Adjusted Results	Pro Forma Results
Rate of Return (ROR)	6.58%	6.59%	7.00%	6.50%
Return on Equity (ROE)	7.78%	7.80%	8.60%	7.59%

PGE's UE 294 base rates authorized through Order 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 2016 actual utility results are declining power costs (driven by lower wholesale power and natural gas prices), offset by lower than expected hydro output and decreased loads due to mild weather.

Regulated Utility Actuals

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

- Reclassification of approximately \$125.8 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 7.80%. 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 8.60%.

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 \$236.9 million increase reflecting an increase in plant in service, partially offset by an associated increase in depreciation);
- 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 \$6.2 million and power costs by \$1.4 million;
- Remove significant nonrecurring events (OPUC Staff letter dated March 25, 1992):
 - Reverse the 2016 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 decreased the regulated ROE from 8.60% (Regulated Adjusted Results) to 7.59% (Pro Forma Basis).

If you have any questions, please call me at (503) 464-8929, or Greg Batzler at (503) 464-8644.

Sincerely,



Stefan Brown
Manager, Regulatory Affairs

SB:sp

encls.

cc: Bob Jenks, CUB
Bradley Van Cleve, ICNU

REPORT OF OPERATIONS
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Work papers are included in a separate attachment.

1. Description of Report

The Results of Operations Report (ROO) adjusts the calendar year 2016 operating results that PGE reported to investors to provide a regulatory perspective reflecting decisions in the 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 Results of Operations Report 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 2016 increased by approximately \$20 million from 2015, reflecting a decrease in power costs compared with 2015.

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 include 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 15-356.

1.2 Utility Accounting Adjustments: Type 1

There are seven Type 1 accounting adjustments for 2016. 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 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 2016, the revolving credit facility fees totaled approximately \$1.2 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 \$0.033 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 \$117.2 million plus steam sales and gas, oil, and transmission resales of approximately \$8.6 million are reclassified from revenues to net variable power costs for regulatory analysis.
- Column 4: Out-of-Period and Other Adjustments
For 2016, we adjust for the following item:
- We debit wheeling expense by approximately \$1.8 million to reverse the 2016 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 over the life of the agreement, beginning when PGE uses the rights. Because PGE acquired the wheeling rights in 2015, we reflected the net amount in the 2015 ROO. The 2016 debit reverses amortized portion of the net amount of wheeling rights used for 2016.

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 UE 79, and continued in UE 88 and subsequent rate cases.
- Column 6: Reverse Capital Project Deferral
 This entry reverses the amortization amount made for PGE's four capital projects deferral to reflect the fact that GAAP accounting does not allow revenue sensitive costs or return on equity to be included as part of the revenue requirement for the deferral. Consequently, 2016 collections for the deferral amortization reflect the full amount of the revenue requirement but the amortization does not. To correct this misalignment, we reverse the accounting amortization as part of Type 1 Accounting Adjustments and add in the full amortization amount as a Type 1 Regulatory Adjustment (see page 6, column 5).
- 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 \$0.54 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 \$1.5 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 \$5.5 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 \$11.1 million in costs from regulated results of operations.
- Column 5: Capital Deferral Entry
This \$1.4 million adjustment reflects the full 2016 amortization of PGE's four capital project deferral as approved by Commission Order Nos. 14-394 and 13-440 (Docket Nos. UE 275 and UE 292). As noted in page iii (Column 6) above, this amount aligns with the 2016 collections for the deferral.
- Column 6: 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 \$112.5 million from utility plant in service and approximately \$1.3 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 7: 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.

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 2016, 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 2016 annual power cost variance to reflect normal results, which is more indicative of a going-forward basis. The 2016 annual power cost variance is approximately \$9.7 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 2016. 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 2016, total revenues for meter information services were \$469,452. The fully allocated costs were \$271,126. Table 1 below specifies revenues and costs by FERC account.

Table 1 - Costs and Revenues for Meter Information Services, year 2016

<u>FERC Account No.</u>	<u>Amount (\$)</u>
451	(426,068)
417	<u>(43,384)</u>
<i>Total Revenues</i>	<i><u>(469,452)</u></i>
903	228
908	252,373
929	(2,040)
417.1	<u>20,565</u>
<i>Total Costs</i>	<i><u>271,126</u></i>

PORTLAND GENERAL ELECTRIC
OPUC REGULATORY REPORTING
RESULTS OF OPERATIONS
January 2016 through December 2016

PORTLAND GENERAL ELECTRIC
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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	1,781,077	27	1,781,104	0	1,781,104	6,242	1,787,346
Sales for Resale	117,229	(117,229)	0	0	0	0	0
Other Operating Revenues	34,924	(8,563)	26,361	0	26,361	0	26,361
Total Operating Revenues	1,933,230	(125,765)	1,807,465	0	1,807,465	6,242	1,813,707
Operation & Maintenance							
Net Variable Power Cost	627,264	(124,036)	503,228	1,736	504,964	11,154	516,118
Total Fixed O&M	283,568	0	283,568	(1,417)	282,152	3,898	286,049
Other O&M	244,391	1,179	245,569	(18,542)	227,027	2,559	229,586
Total Operation & Maintenance	1,155,223	(122,857)	1,032,366	(18,223)	1,014,143	17,610	1,031,753
Depreciation & Amortization	318,984	(1,243)	317,741	47	317,788	1,621	319,409
Other Taxes / Franchise Fee	118,213	0	118,213	(320)	117,893	995	118,888
Income Taxes	52,369	(2,111)	50,258	8,518	58,776	(7,992)	50,783
Total Oper. Expenses & Taxes	1,644,789	(126,211)	1,518,578	(9,978)	1,508,599	12,234	1,520,833
Utility Operating Income	288,441	446	288,887	9,978	298,865	(5,992)	292,874
Rate of Return	6.58%		6.59%		7.00%		6.50%
Return on Equity	7.78%		7.80%		8.60%		7.59%
ROE based on actual capital structure.							
Average Rate Base							
Utility Plant in Service	9,159,444	0	9,159,444	(112,450)	9,046,994	452,560	9,499,554
Accumulated Depreciation	4,243,985	0	4,243,985	0	4,243,985	212,720	4,456,704
Accumulated Def. Income Taxes	620,195	0	620,195	0	620,195	2,953	623,149
Accumulated Def. Inv. Tax Credit	0	0	0	0	0	0	0
Net Utility Plant	4,295,264	0	4,295,264	(112,450)	4,182,814	236,888	4,419,701
Deferred Programs & Investments	26,082	0	26,082	0	26,082	(2,955)	23,127
Operating Materials & Fuel	83,635	0	83,635	0	83,635	(1,588)	82,047
Misc. Deferred Credits	(79,347)	0	(79,347)	0	(79,347)	4,202	(75,144)
Unamortized Ratepayer Gains	0	0	0	0	0	0	0
Working Cash	55,818	(15)	55,803	(362)	55,441	382	55,822
Total Average Rate Base	4,381,452	(15)	4,381,437	(112,812)	4,268,624	236,929	4,505,553

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	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)
			(1+2)		(3+4)		(5+6)
Operating Revenues							
1 Residential	837,938	70,010	907,948	0	907,948	3,685	911,633
2 Commercial	632,459	0	632,459	0	632,459	2,557	635,015
3 Industrial	192,289	0	192,289	0	192,289	0	192,289
4 Other	118,391	(69,983)	48,409	0	48,409	0	48,409
5 Sales to Consumers	1,781,077	27	1,781,104	0	1,781,104	6,242	1,787,346
6a Sales for Resale	117,229	(117,229)	0	0	0	0	0
6 Other Operating Revenues	34,924	(8,563)	26,361	0	26,361	0	26,361
7 Total Operating Revenues	1,933,230	(125,765)	1,807,465	0	1,807,465	6,242	1,813,707
Operation & Maintenance							
8 Steam VPC	72,139	0	72,139	0	72,139	0	72,139
9 Gas / Other VPC	214,199	0	214,199	1,736	215,936	9,718	225,654
10 Production	286,338	0	286,338	1,736	288,075	9,718	297,793
11 Purchased Power	264,106	0	264,106	0	264,106	1,436	265,542
12 RPA Exchange	0	0	0	0	0	0	0
13 Sales for Resale	0	(125,792)	(125,792)	0	(125,792)	0	(125,792)
14 Wheeling	76,819	1,756	78,575	0	78,575	0	78,575
15 Net Variable Power Cost	627,264	(124,036)	503,228	1,736	504,964	11,154	516,118
16 Fixed Plant Cost	154,348	0	154,348	(1,417)	152,932	1,707	154,638
17 Transmission	12,609	0	12,609	0	12,609	139	12,748
18 Distribution	116,611	0	116,611	0	116,611	2,051	118,663
19 Total Fixed O&M	283,568	0	283,568	(1,417)	282,152	3,898	286,049
20 Customer Accounts / Bad Debt	56,434	0	56,434	0	56,434	649	57,084
21 Customer Service	14,192	0	14,192	0	14,192	157	14,349
22 Admin. & General / OPUC Fee	173,764	1,179	174,942	(18,542)	156,400	1,753	158,153
23 Other O&M	244,391	1,179	245,569	(18,542)	227,027	2,559	229,586
24 Total Operation & Maintenance	1,155,223	(122,857)	1,032,366	(18,223)	1,014,143	17,610	1,031,753
25 Depreciation & Amortization	318,984	(1,243)	317,741	47	317,788	1,621	319,409
26 Other Taxes / Franchise Fee	118,213	0	118,213	(320)	117,893	995	118,888
27 Income Taxes (Non-Federal)	3,105	(384)	2,721	1,548	4,269	(1,452)	2,817
28 Federal Income Tax Net of ITC	10,875	(1,728)	9,148	6,970	16,117	(6,540)	9,577
29 Deferred Income Taxes	38,389	0	38,389	0	38,389	0	38,389
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	1,644,789	(126,211)	1,518,578	(9,978)	1,508,599	12,234	1,520,833
33 Utility Operating Income	288,441	446	288,887	9,978	298,865	(5,992)	292,874

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	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	9,159,444	0	9,159,444	(112,450)	9,046,994	452,560	9,499,554
35 Accumulated Depreciation	4,243,985	0	4,243,985	0	4,243,985	212,720	4,456,704
36 Accumulated Def. Income Taxes	620,195	0	620,195	0	620,195	2,953	623,149
37 Accumulated Def. Inv. Tax Credit	0	0	0	0	0	0	0
38 Net Utility Plant	4,295,264	0	4,295,264	(112,450)	4,182,814	236,888	4,419,701
39 Deferred Programs & Investments	26,082	0	26,082	0	26,082	(2,955)	23,127
40 Operating Materials & Fuel	83,635	0	83,635	0	83,635	(1,588)	82,047
41 Misc. Deferred Credits	(79,347)	0	(79,347)	0	(79,347)	4,202	(75,144)
42 Unamortized Ratepayer Gains	0	0	0	0	0	0	0
43 Working Cash	55,818	(15)	55,803	(362)	55,441	382	55,822
44 Total Average Rate Base	4,381,452	(15)	4,381,437	(112,812)	4,268,624	236,929	4,505,553
Income Tax Calculations							
45 Book Revenues		(125,765)		0		6,242	
46 Book Expenses		(124,100)		(18,496)		20,226	
47 Not used		0		0		0	
48 Interest Rate Base @ Weighted Cost of Debt		3,655		(2,966)		6,154	
49 Schedule M Differences		0		0		0	
50 State Taxable Income		(5,320)		21,462		(20,138)	
51 State Income Tax @ 7.212%	7.212%	(384)		1,548		(1,452)	
52 Additional Tax Depreciation		0		0		0	
53 Federal Taxable Income		(4,936)		19,914		(18,686)	
54 Fed Tax @ 35%	35.00%	(1,728)		6,970		(6,540)	
55 ITC @ 0%	0	0		0		0	
56 Current Federal Tax		(1,728)		6,970		(6,540)	
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		(2,111)		8,518		(7,992)	

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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.	Adjust Cap Project Deferral	Add SSHG Net Income	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Operating Revenues								
1 Residential		70,010						70,010
2 Commercial		0						0
3 Industrial		0						0
4 Other Revenue	(33)	(70,010)		0		0	60	(69,983)
5 Unbilled Revenues								0
6 Sales to Consumers	(33)	0	0	0	0	0	60	27
6a Sales for Resale			(117,229)					(117,229)
7 Other Operating Revenues			(8,563)	0				(8,563)
8 Total Operating Revenues	(33)	0	(125,792)	0	0	0	60	(125,765)
Operation & Maintenance								
9 Steam VPC								0
10 Nuclear								0
11 Gas / Other VPC								0
12 Production	0	0	0	0	0	0	0	0
13 Purchased Power				0				0
14 RPA Exchange		0						0
15 Sales for Resale			(125,792)	0				(125,792)
16 Wheeling				1,756				1,756
17 Net Variable Power Cost	0	0	(125,792)	1,756	0	0	0	(124,036)
18 Fixed Plant Cost								0
19 Transmission								0
20 Distribution								0
21 Total Fixed O&M	0	0	0	0	0	0	0	0
22 Customer Accounts								0
23 Customer Service								0
24 Administration & General	1,179			0		0	0	1,179
25 Other O&M	1,179	0	0	0	0	0	0	1,179
26 Total Operation & Maintenance	1,179	0	(125,792)	1,756	0	0	0	(122,857)
27 Depreciation & Amortization				0		(1,243)		(1,243)
28 Taxes Other than Income								0
29 Inc. Taxes (Non-Federal)	(87)	0	0	(127)	(264)	90	4	(384)
30 Federal Inc. Tax Net of ITC	(394)	0	0	(571)	(1,187)	404	19	(1,728)
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	698	0	(125,792)	1,059	(1,450)	(749)	24	(126,211)
35 Utility Operating Income	(730)	0	0	(1,059)	1,450	749	36	446

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UTILITY ACCOUNTING ADJUSTMENTS

Type I Adjustments	Revolving Credit Fees and Int. on Cust. Deps	Steam, Oil, etc. Sales and Sales-for- Resale	Out of Per and Other Adjs	Utility Tax Adj.	Adjust Cap Project Deferral	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

41 Deferred Programs & Investments								0
42 Operating Materials & Fuel								0
43 Misc. Deferred Credits								0
44 Unamortized Ratepayer Gains								0
45 Working Cash	25	n/a	n/a	38	(53)	(27)	1	(15)
46 Total Average Rate Base	25	0	0	38	(53)	(27)	1	(15)
Income Tax Calculations								
47 Book Revenues	(33)	0	(125,792)	0	0	0	60	(125,765)
48 Book Expenses	1,179	0	(125,792)	1,756	0	(1,243)	0	(124,100)
49 Not used								0
50 Int. R-Base @ Wtd Cost of Debt	1	0	0	1	3,654	(1)	0	3,655
51 Schedule M Differences	0	0	0	0	0	0	0	0
52 State Taxable Income	(1,212)	0	0	(1,757)	(3,654)	1,243	60	(5,320)
53 State Income Tax @ 7.212%	(87)	0	0	(127)	(264)	90	4	(384)
54 Additional Tax Depreciation	0	0	0	0		0	0	0
55 Federal Taxable Income	(1,125)	0	0	(1,630)	(3,390)	1,154	56	(4,936)
56 Fed Tax 35%	(394)	0	0	(571)	(1,187)	404	19	(1,728)
57 ITC @ 0%	0	0	0	0	0	0	0	0
58 Current Federal Tax	(394)	0	0	(571)	(1,187)	404	19	(1,728)
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	(481)	0	0	(697)	(1,450)	493	24	(2,111)

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

Type I Adjustments	Advertising (1)	SERP (2)	MDCP (3)	Incentive Pay (4)	Capital Project Deferral (5)	Carty Incremental Capital (6)	Carty Capital Lease Payment (7)	Total Type I Adjustments (8)
Operating Revenues								
1 Residential								0
2 Commercial								0
3 Industrial								0
4 Other Revenue					0	0	0	0
5 Unbilled Revenues								0
6 Sales to Consumers	0	0	0	0	0	0	0	0
6a Sales for Resale								0
7 Other Operating Revenues								0
8 Total Operating Revenues	0	0	0	0	0	0	0	0
Operation & Maintenance								
9 Steam								0
10 Nuclear								0
11 Gas / Other VPC							1,736	1,736
12 Production	0	0	0	0	0	0	1,736	1,736
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	1,736	1,736
18 Fixed Plant Cost					0	0	(1,417)	(1,417)
19 Transmission								0
20 Distribution								0
21 Total Fixed O&M	0	0	0	0	0	0	(1,417)	(1,417)
22 Customer Accounts	0	0	0	0	0	0	0	0
23 Customer Service	0							0
24 Administration & General	(538)	(1,456)	(5,495)	(11,053)	0	0	0	(18,542)
25 Other O&M	(538)	(1,456)	(5,495)	(11,053)	0	0	0	(18,542)
26 Total Operation & Maintenance	(538)	(1,456)	(5,495)	(11,053)	0	0	320	(18,223)
27 Depreciation & Amortization					1,372	(1,326)		47
28 Taxes Other than Income	0	0	0	0	0	0	(320)	(320)
29 Income Taxes (Non-Federal)	39	105	397	798	(99)	309	0	1,548
30 Federal Income Tax Net of ITC	175	473	1,786	3,592	(446)	1,391	0	6,970
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 ITC Adjustment	0	0	0	0	0	0	0	0
34 Total Oper. Expenses & Taxes	(324)	(878)	(3,313)	(6,664)	827	374	0	(9,978)
35 Utility Operating Income	324	878	3,313	6,664	(827)	(374)	0	9,978

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Type I Adjustments	Advertising (1)	SERP (2)	MDCP (3)	Incentive Pay (4)	Capital Project Deferral (5)	Carty Incremental Capital	Carty Capital Lease Payment	Total Type I Adjustments (8)
Average Rate Base								
36 Utility Plant In Service				0		(112,450)	0	(112,450)
37 Accumulated Depreciation								0
38 Acc Def. Income Taxes								0
39 Acc Def. Inv. Tax Credit	0	0	0	0	0	0	0	0
40 Net Utility Plant	0	0	0	0	0	(112,450)	0	(112,450)

41 Deferred Programs & Investments								0
42 Operating Materials & Fuel								0
43 Misc. Deferred Credits								0
44 Unamortized Ratepayer Gains								0
45 Working Cash	(12)	(32)	(120)	(242)	30	14	0	(362)
46 Total Average Rate Base	(12)	(32)	(120)	(242)	30	(112,437)	0	(112,812)
Income Tax Calculations								
47 Book Revenues	0	0	0	0	0	0	0	0
48 Book Expenses	(538)	(1,456)	(5,495)	(11,053)	1,372	(1,326)	0	(18,496)
49 Not used								0
50 Int. R-Base @ Wtd Cost Debt	(0)	(1)	(3)	(6)	1	(2,956)	0	(2,966)
51 Schedule M Differences	0	0	0	0	0	0	0	0
52 State Taxable Income	538	1,457	5,498	11,060	(1,373)	4,282	0	21,462
53 State Income Tax @ 7.212%	39	105	397	798	(99)	309	0	1,548
54 Additional Tax Depreciation	0	0	0	0	0	0	0	0
55 Federal Taxable Income	500	1,352	5,102	10,262	(1,274)	3,973	0	19,914
56 Fed Tax 35%	175	473	1,786	3,592	(446)	1,391	0	6,970
57 ITC @ 0%	0	0	0	0	0	0	0	0
58 Current Federal Tax	175	473	1,786	3,592	(446)	1,391	0	6,970
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	214	578	2,182	4,389	(545)	1,699	0	8,518

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Type II Adjustments	Escalation and Period-End Rate Base	Nonrecurring Events	End-of-Period Annualizing Adjustment	Blank	Total
	(1)	(2)	(3)	(4)	(5)
1 Residential			3,685		3,685
2 Commercial			2,557		2,557
3 Industrial		0			0
4 Other Revenue					0
5 Unbilled Revenues					0
6 Sales to Consumers	0	0	6,242	0	6,242
6a Sales for Resale					
7 Other Operating Revenues		0			0
8 Total Operating Revenues	0	0	6,242	0	6,242
Operation & Maintenance					
9 Steam					0
10 Nuclear					0
11 Gas / Other VPC		9,718			9,718
12 Production	0	9,718	0	0	9,718
13 Purchased Power	0		1,436		1,436
14 RPA Exchange					0
15 Sales for Resale					0
16 Wheeling		0			0
17 Net Variable Power Cost	0	9,718	1,436	0	11,154
18 Fixed Plant Cost	1,707	0			1,707
19 Transmission	139	0			139
20 Distribution	1,290		762		2,051
21 Total Fixed O&M	3,136	0	762	0	3,898
22 Customer Accounts/Bad Debt	624	0	25	0	649
23 Customer Service	157				157
24 Admin. & General / OPUC Fee	1,730	0	23	0	1,753
25 Other O&M	2,511	0	49	0	2,559
26 Total Operation & Maintenance	5,646	9,718	2,246	0	17,610
27 Depreciation & Amortization			1,621		1,621
28 Other Taxes/Franchise Fee	0	0	995	0	995
29 Income Taxes (Non-Federal)	(850)	(701)	99	0	(1,452)
30 Federal Inc. Tax Net of ITC	(3,829)	(3,158)	447	0	(6,540)
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	967	5,859	5,407	0	12,234
35 Utility Operating Income*	(967)	(5,859)	834	0	(5,992)

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	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	452,560				452,560
37 Accumulated Depeciation	212,720				212,720
38 Acc Def. Income Taxes	2,953				2,953
39 Acc Def. Inv. Tax Credit	0				0
40 Net Utility Plant	236,888	0	0	0	236,888

41 Deferred Programs & Investments	(2,955)				(2,955)
42 Operating Materials & Fuel	(1,588)				(1,588)
43 Misc. Deferred Credits	4,202				4,202
44 Unamortized Ratepayer Gains	0				0
45 Working Cash @ 5.20%	(27)	213	196	0	382
46 Total Average Rate Base	236,520	213	196	0	236,929
Income Tax Calculations					
47 Book Revenues	0	0	6,242	0	6,242
48 Book Expenses	5,646	9,718	4,862	0	20,226
49 Reverse Env. Tax for Calculation	0	0			0
50 Int. R-Base @ Wtd Cost of Debt	6,143	6	5	0	6,154
51 Schedule M Differences	0	0	0	0	0
52 State Taxable Income	(11,790)	(9,724)	1,375	0	(20,138)
53 State Income Tax @ 7.212%	(850)	(701)	99	0	(1,452)
Pollution Control Tax Credit					
54 Net State Taxes					
55 Federal Taxable Income	(10,939)	(9,022)	1,276	0	(18,686)
56 Fed Tax @ 35%	(3,829)	(3,158)	447	0	(6,540)
57 ITC @ 0%	0	0	0	0	0
58 Current Federal Tax	(3,829)	(3,158)	447	0	(6,540)
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	(4,679)	(3,859)	546	0	(7,992)

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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	2,216,942	49.15%	5.350%	2.63%
Preferred Stock	0	0.00%	0.000%	0.00%
Common Equity	2,293,939	50.85%	7.796%	3.96%
Total	4,510,880	100.00%		6.59%

Actual End of Period	End of Period Outstanding	Percent of Capital	Percent Cost	Weighted Percent Cost
Long Term Debt	2,211,400	48.55%	5.350%	2.60%
Preferred Stock	0	0.00%	0.000%	0.00%
Common Equity	2,343,887	51.45%	7.585%	3.90%
Total	4,555,287	100.00%		6.50%

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	4,381,452
	Wtd Cost of Debt	2.63%
	Int. for tax deduction	115,194
(a)	Int. for tax calculation	111,539
	Utility tax adjust.	3,655

Common Equity	Common Equity
Dec '15	2,257,197
Jan '16	2,281,436
Feb '16	2,272,584
Mar '16	2,290,934
Apr '16	2,273,834
May '16	2,289,073
Jun '16	2,302,698
Jul '16	2,287,326
Aug '16	2,305,201
Sep '16	2,309,683
Oct '16	2,295,793
Nov '16	2,311,558
Dec '16	2,343,887

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