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REPORT NAME: PGE's Regulated Results of Operations Report

COMPANY NAME: Portland General Electric

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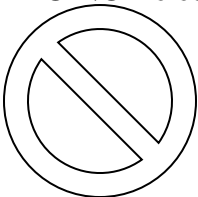
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Portland General Electric Company
121 SW Salmon Street • Portland, Oregon 97204
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June 1, 2012

Maury Galbraith, Administrator
Electric and Natural Gas Division
Oregon Public Utility Commission
550 Capitol Street, NE, Suite 215
Salem, Oregon 97301-2551

Re: PGE's Regulated Results of Operations for 2011

Maury:

Enclosed are three copies of the Regulated Results of Operations Report for the period January 1, 2011 to December 31, 2011. The enclosure also includes three copies of the summary work papers. To create the regulated adjusted and pro forma earnings views, we apply the stipulations identified in this report from UE 215 and the OPUC letter dated March 25, 1992 (RE: Semiannual Adjusted Results of Operations Reports).

Table 1: PGE 2011 Financial Results

	Actual Utility Results	Regulated Utility Actuals	Regulated Adjusted Results	Pro Forma Results
Rate of Return (ROR)	8.31%	8.29%	8.44%	7.98%
Return on Equity (ROE)	10.73%	10.69%	11.00%	9.93%

PGE's UE 215 base rates authorized through Order 10-478 were effective January 1, 2011.

Actual Utility Results

PGE's actual utility results come directly from PGE's General Ledger system. The primary driver of PGE's 2011 actual utility results is declining net variable power cost, which is primarily due to significantly above-normal hydro conditions and declining costs for fuel. This combination led to declining prices for purchased power, which in turn allowed PGE to economically buy low-cost wholesale power and reduce the amount of generation from its thermal plants.

Regulated Utility Actuals

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

- Reclassification of approximately \$67.0 million from revenue to net variable power cost, consisting of sales for resale, steam sales, and resales of gas, transmission, and oil;
- Out of period adjustments that increased Other Revenue by \$1.1 million and reduced expenses by \$4.1 million;

- Other accounting adjustments, as specified at pages ii and iii of the Report.

The regulated actual return on equity was 10.69%. The regulated utility actuals are used to calculate the "Regulated Adjusted Results of Operations," which is consistent with the stipulations and OPUC Order in the most relevant rate case (UE 215).

Regulated Adjusted Results of Operations

The regulated adjusted results are computed by adjusting the regulated utility actuals of Table 1 for disallowances and stipulations 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 PCAM (Order 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 11.00% in accordance with the calculated PCAM refund.

Pro Forma Results

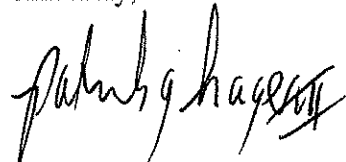
Finally, the OPUC requires utilities to estimate "Pro Forma" results, or a forward look, using the Results of Operations. Utilities are required to:

- Reflect end-of-period rate base (approximately \$45 million increase);
- 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 \$2.6 million and power costs by \$0.9 million;
- Remove significant nonrecurring events (OPUC letter dated March 25, 1992):
 - Reverse the 2011 power cost variance calculated under the PCAM to reflect normal power costs, which are more indicative of future results.

The impact of these adjustments reduces the regulated ROE from 11.00% (Regulated Adjusted Results) to 9.93% (Pro Forma Basis).

If you have any questions, please call me at (503) 464-7580, or Alex Tooman at (503) 464-7623.

Sincerely,



Patrick G. Hager
Manager, Regulatory Affairs

PGH:jlt
encl.

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 adjusts the calendar year 2011 operating results that PGE reported to investors to provide a regulatory perspective reflecting decisions in the UE 215 proceeding and the March 25, 1992 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 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 a Type II adjustment for "Nonrecurring Events." We incorporated this adjustment to "remove recorded entries related to significant nonrecurring events," as required by the OPUC 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 identified one such entry: the net variable power cost (NVPC) variance. Section 1.4 details our adjustments.

PGE's utility operating income in 2011 increased by approximately \$33 million from 2010, which was largely due to declining power costs. This improvement was primarily driven by significantly above normal hydro conditions and declining costs for fuel. This combination led to declining prices for purchased power, which allowed PGE to economically buy low-cost wholesale power and reduce the amount of generation from its thermal plants.

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" work papers also include the monthly detail for constructing the actual Capital Structure and the Average Rate Base. Please note that the pro forma 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 10-478.

1.2 Utility Accounting Adjustments: Type 1

There are eight Type 1 accounting adjustments for 2011. The adjustments are found on pages 4 and 5, and are described below. Supporting documentation is included in the work papers.

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 2011, the revolving credit facility fees totaled approximately \$3.0 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 \$0.04 million reflects the net difference of interest paid (\$0.04 million) and received on these deposits (approximately \$0).

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 \$60.0 million plus steam sales and gas, oil, and transmission resales of approximately \$7.1 million are reclassified from revenues to net variable power costs for regulatory analysis.

Column 4: Out-of-Period and Other Adjustments

For 2011, we adjust for the following items:

- Per Commission Order No. 12-141 (Docket UM 1571), PGE reversed its 2011 deferral of FERC land fees in the first quarter of 2012 (i.e., order issued after 2011 books closed). Because this entry applies to 2011, we increase Other Revenue by \$1.1 million.
- To remove any effect on ROE results (per Commission Order 11-432 – Docket UE 228), PGE removes the 2011 accounting entry for \$2.6 million related to the 2012 AUT power costs.
- We decrease power costs by \$0.2 million to remove costs related to pre-2007 NVPC.
- We reduce A&G by \$1.3 million to remove costs related to an accrual for pre-2007 employee earned time off.

- Column 5: Utility Tax Adjustment (Interest Adjustment)
This adjustment accounts for the differences 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 PCAM Accrual
This entry reverses the preliminary accrual made for the 2011 PCAM refund so as to reflect the regulated utility actual results with no PCAM effect.
- Column 7: Equity Issuance Costs
This adjustment reflects approximately \$1.7 million for the amortization of equity issuance costs as included in UE 215.

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 PCAM (Docket UE 180, Order 07-715), we did not normalize hydro conditions, plant operations, or weather.

- Column 1: Two-Cities Sales Revenue
Both the 1991 and prior deferral of "excess power costs" related to the power purchased from BPA were adjusted out of wheeling costs and rate base to comply with OPUC Order No. 91-186. We make this adjustment per a schedule (of amount and timing) through 2012, in accordance with Appendix C of that Order.
- Column 2: Advertising Categories "A" and "C" and Corporate Image
Although the recent rate order (No. 10-478 in Docket UE 215) did not specifically address advertising costs, PGE reduces customer service and A&G costs by approximately \$0.9 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 3: Supplemental Executive Retirement Plan (SERP)
Although the recent rate order (No. 10-478 in Docket UE 215) did not specifically exclude this cost from PGE's revenue requirement, we remove it here because it was consistently, fully disallowed in prior Commission decisions. This adjustment removes \$1.5 million in costs from regulated results of operations.
- Column 4: Management Deferred Compensation Plan (MDCP)
Although the recent rate order (No. 10-478 in Docket UE 215) did not specifically exclude this cost from PGE's revenue requirement, we remove it here because it was consistently, fully disallowed in prior Commission decisions. This adjustment removes \$5.8 million in costs from regulated results of operations.
- Column 5: Officer Incentive Pay
Although the recent rate order (No. 10-478 in Docket UE 215) did not specifically exclude this cost from PGE's revenue requirement, we remove it here because it was consistently, fully disallowed in prior Commission decisions. This adjustment removes \$4.6 million in costs from regulated results of operations.
- Column 6: 2011 PCAM Entry
This \$5.5 million adjustment reflects the credit that would reduce the regulated adjusted results to 11.0% in accordance with the PCAM authorized by Commission Order No. 07-015 (Docket UE 180) and established in PGE Schedule 126.

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 utilizes this adjustment to remove entries related to significant nonrecurring events. Utilities were instructed to do so in the OPUC letter dated March 25, 1992 (RE: Semiannual Adjusted Results of Operations Reports) in order to eliminate those costs and revenues that should not be relied upon on a forward-looking basis. In 2011, we identified one such event: net variable power costs.

As discussed above, PGE does not normalize net variable power costs because of PGE's PCAM. However, on a forward looking (pro forma) basis, we project net variable power costs on a normal basis. Consequently, we removed the power cost variance (net of PCAM refund) to reflect normal results, which is more indicative of a going-forward basis. The power cost variance was approximately \$11.9 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 2011. 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 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 2011, the fully allocated revenues for meter information services were \$194,302. The fully allocated costs were \$306,660. Table 1 below specifies revenues and costs by FERC account.

Table 1 - Costs and Revenues for Meter Information Services, year 2011

<u>FERC Account No.</u>	<u>Amount (\$)</u>
456	(2,480)
451	(131,032)
417	(60,790)
<i>Total Revenues</i>	<u><i>(194,302)</i></u>
903	5,434
908	269,095
921	126
929	(2,040)
506	2,183
417.1	31,779
426.4	82
426.5	0
<i>Total Costs</i>	<u><i>306,660</i></u>

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Page 1

Regulatory adjustments based on Docket UE 215, Order 10-478	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	1,720,295	10,862	1,731,156	(5,477)	1,725,679	2,586	1,728,265
Sales for Resale	59,987	(59,987)	0	0	0	0	0
Other Operating Revenues	28,561	(7,084)	21,477	0	21,477	0	21,477
Total Operating Revenues	1,808,842	(56,209)	1,752,633	(5,477)	1,747,156	2,586	1,749,742
Operation & Maintenance							
Net Variable Power Cost	759,775	(69,871)	689,904	47	689,951	12,713	702,663
Total Fixed O&M	201,969	0	201,969	0	201,969	3,576	205,546
Other O&M	213,988	1,633	215,621	(12,733)	202,888	3,168	206,055
Total Operation & Maintenance	1,175,732	(68,238)	1,107,494	(12,686)	1,094,808	19,457	1,114,265
Depreciation & Amortization	223,924	1,722	225,646	0	225,646	708	226,354
Other Taxes / Franchise Fee	96,561	0	96,561	(137)	96,424	241	96,665
Income Taxes	59,671	10,491	70,162	2,873	73,036	(7,485)	65,551
Total Oper. Expenses & Taxes	1,555,889	(56,025)	1,499,864	(9,950)	1,489,914	12,921	1,502,834
Utility Operating Income	252,954	(184)	252,770	4,473	257,243	(10,335)	246,908
Rate of Return	8.31%		8.29%		8.44%		7.98%
Return on Equity	10.73%		10.69%		11.00%		9.93%
ROE based on actual capital structure.							
Average Rate Base							
Utility Plant in Service	6,390,390	0	6,390,390	0	6,390,390	159,400	6,549,790
Accumulated Depreciation	3,007,690	0	3,007,690	0	3,007,690	105,590	3,113,280
Accumulated Def. Income Taxes	417,967	0	417,967	30	417,997	24,073	442,070
Accumulated Def. Inv. Tax Credit	13	0	13	0	13	(13)	0
Net Utility Plant	2,964,719	0	2,964,719	(30)	2,964,690	29,750	2,994,440
Deferred Programs & Investments	12,077	4,338	16,415	76	16,492	(61)	16,431
Operating Materials & Fuel	62,571	0	62,571	0	62,571	8,906	71,477
Misc. Deferred Credits	(53,216)	0	(53,216)	0	(53,216)	5,009	(48,206)
Unamortized Ratepayer Gains	0	0	0	0	0	0	0
Working Cash	57,950	431	58,380	(388)	57,992	1,558	59,550
Total Average Rate Base	3,044,101	4,769	3,048,870	(341)	3,048,529	45,163	3,093,692

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	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Operating Revenues			(1+2)		(3+4)		(5+6)
1 Residential	835,333	51,183	886,515	0	886,515	875	887,391
2 Commercial	607,823	0	607,823	0	607,823	1,710	609,533
3 Industrial	218,904	0	218,904	0	218,904	0	218,904
4 Other	58,236	(40,321)	17,915	(5,477)	12,438	0	12,438
5 Sales to Consumers	1,720,295	10,862	1,731,156	(5,477)	1,725,679	2,586	1,728,265
6a Sales for Resale	59,987	(59,987)	0	0	0	0	0
6 Other Operating Revenues	28,561	(7,084)	21,477	0	21,477	0	21,477
7 Total Operating Revenues	1,808,842	(56,209)	1,752,633	(5,477)	1,747,156	2,586	1,749,742
Operation & Maintenance							
8 Steam VPC	64,552	0	64,552	0	64,552	0	64,552
9 Gas / Other VPC	204,681	0	204,681	0	204,681	11,854	216,535
10 Production	269,233	0	269,233	0	269,233	11,854	281,087
11 Purchased Power	421,831	(2,800)	419,031	0	419,031	859	419,890
12 RPA Exchange	0	0	0	0	0	0	0
13 Sales for Resale	0	(67,071)	(67,071)	0	(67,071)	0	(67,071)
14 Wheeling	68,711	0	68,711	47	68,758	0	68,758
15 Net Variable Power Cost	759,775	(69,871)	689,904	47	689,951	12,713	702,663
16 Fixed Plant Cost	110,903	0	110,903	0	110,903	1,719	112,622
17 Transmission	11,463	0	11,463	0	11,463	178	11,640
18 Distribution	79,604	0	79,604	0	79,604	1,680	81,284
19 Total Fixed O&M	201,969	0	201,969	0	201,969	3,576	205,546
20 Customer Accounts / Bad Debt	55,279	0	55,279	(31)	55,248	871	56,119
21 Customer Service	12,810	0	12,810	(684)	12,125	188	12,313
22 Admin. & General / OPUC Fee	145,899	1,633	147,532	(12,018)	135,515	2,109	137,623
23 Other O&M	213,988	1,633	215,621	(12,733)	202,888	3,168	206,055
24 Total Operation & Maintenance	1,175,732	(68,238)	1,107,494	(12,686)	1,094,808	19,457	1,114,265
25 Depreciation & Amortization	223,924	1,722	225,646	0	225,646	708	226,354
26 Other Taxes / Franchise Fee	96,561	0	96,561	(137)	96,424	241	96,665
27 Income Taxes (Non-Federal)	358	1,868	2,225	462	2,688	(1,196)	1,491
28 Federal Income Tax Net of ITC	1,995	9,818	11,813	2,430	14,242	(6,289)	7,953
29 Deferred Income Taxes	57,319	0	57,319	(18)	57,301	0	57,301
30 Current/Deferred Taxes True-up	0	(1,195)	(1,195)	0	(1,195)	0	(1,195)
31 I.T.C. Adjustment	0	0	0	0	0	0	0
32 Total Oper. Expenses & Taxes	1,555,889	(56,025)	1,499,864	(9,950)	1,489,914	12,921	1,502,834
33 Utility Operating Income	252,954	(184)	252,770	4,473	257,243	(10,335)	246,908

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	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Average Rate Base							
34 Utility Plant in Service	6,390,390	0	6,390,390	0	6,390,390	159,400	6,549,790
35 Accumulated Depreciation	3,007,690	0	3,007,690	0	3,007,690	105,590	3,113,280
36 Accumulated Def. Income Taxes	417,967	0	417,967	30	417,997	24,073	442,070
37 Accumulated Def. Inv. Tax Credit	13	0	13	0	13	(13)	0
38 Net Utility Plant	2,964,719	0	2,964,719	(30)	2,964,690	29,750	2,994,440
39 Deferred Programs & Investments	12,077	4,338	16,415	76	16,492	(61)	16,431
40 Operating Materials & Fuel	62,571	0	62,571	0	62,571	8,906	71,477
41 Misc. Deferred Credits	(53,216)	0	(53,216)	0	(53,216)	5,009	(48,206)
42 Unamortized Ratepayer Gains	0	0	0	0	0	0	0
43 Working Cash	57,950	431	58,380	(388)	57,992	1,558	59,550
44 Total Average Rate Base	3,044,101	4,769	3,048,870	(341)	3,048,529	45,163	3,093,692
Income Tax Calculations							
45 Book Revenues		(56,209)		(5,477)		2,586	
46 Book Expenses		(66,516)		(12,823)		20,406	
47 Not used		0		0		0	
48 Interest Rate Base @ Weighted Cost of Debt		(17,890)		(11)		1,344	
49 Schedule M Differences		(1,722)		(47)		0	
50 State Taxable Income		29,919		7,404		(19,164)	
51 State Income Tax @ 5.12%	6.242%	1,868		462		(1,196)	
52 Additional Tax Depreciation		0		0		0	
53 Federal Taxable Income		28,051		6,942		(17,968)	
54 Fed Tax @ 35%	35.00%	9,818		2,430		(6,289)	
55 ITC @ 0%	0	0		0		0	
56 Current Federal Tax		9,818		2,430		(6,289)	
ITC Adjustment							
57 Deferral		0		0		0	
58 Restoration		0		0		0	
59 Deferred Taxes		0		(18)		0	
60 Current/Deferred Taxes True-up		(1,195)		0		0	
61 Total Income Tax		10,491		2,873		(7,485)	

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UTILITY ACCOUNTING ADJUSTMENTS

Type I Adjustments	Revolving Credit Fees and Int. on Cust. Deps (1)	RPA (2)	Steam, Oil, etc. Sales and Sales-for- Resale (3)	Out of Per and Other Adjs (4)	Utility Tax Adj. (5)	Adjust PCAM Accrual (6)	Equity Issuance Costs (7)	Total (8)
Operating Revenues								
1 Residential		51,183						51,183
2 Commercial		0						0
3 Industrial		0						0
4 Other Revenue	(38)	(51,183)		1,100		9,800		(40,321)
5 Unbilled Revenues								0
6 Sales to Consumers	(38)	0	0	1,100	0	9,800	0	10,862
6a Sales for Resale			(59,987)					(59,987)
7 Other Operating Revenues			(7,084)	0				(7,084)
8 Total Operating Revenues	(38)	0	(67,071)	1,100	0	9,800	0	(56,209)
Operation & Maintenance								
9 Steam								0
10 Nuclear								0
11 Other								0
12 Production	0	0	0	0	0	0	0	0
13 Purchased Power				(2,800)				(2,800)
14 RPA Exchange		0						0
15 Sales for Resale			(67,071)					(67,071)
16 Wheeling								0
17 Net Variable Power Cost	0	0	(67,071)	(2,800)	0	0	0	(69,871)
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	2,973			(1,340)		0		1,633
25 Other O&M	2,973	0	0	(1,340)	0	0	0	1,633
26 Total Operation & Maintenance	2,973	0	(67,071)	(4,140)	0	0	0	(68,238)
27 Depreciation & Amortization				0			1,722	1,722
28 Taxes Other than Income								0
29 Inc. Taxes (Non-Federal)	(188)	0	0	327	1,117	611	0	1,868
30 Federal Inc. Tax Net of ITC	(989)	0	0	1,720	5,872	3,214	0	9,818
31 Deferred Income Taxes	0	0	0	0	0	0	0	0
32 Current/Deferred Taxes True-up	0	0	0	0	(1,195)	0	0	(1,195)
33 I.T.C. Adjustment	0	0	0	0	0	0	0	0
34 Total Oper. Exp. & Taxes	1,796	0	(67,071)	(2,093)	5,794	3,826	1,722	(56,025)
35 Utility Operating Income	(1,835)	0	0	3,193	(5,794)	5,974	(1,722)	(184)

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UTILITY ACCOUNTING ADJUSTMENTS

Type I Adjustments	Revolving Credit Fees and Int. on Cust. Deps (1)	RPA (2)	Steam, Oil, etc. Sales and Sales-for- Resale (3)	Out of Per and Other Adj (5)	Utility Tax Adj. (6)	Adjust PCAM Accrual (4)	Equity Issuance Costs (8)	Total (9)
Average Rate Base								
36 Utility Plant in Service								0
37 Accumulated Depreciation								0
38 Acc Def. Income Taxes	0							0
39 Acc Def. Inv. Tax Credit								0
40 Net Utility Plant	0	0	0		0	0		0
-----								0
41 Deferred Programs & Investments							4,338	4,338
42 Operating Materials & Fuel								0
43 Misc. Deferred Credits								0
44 Unamortized Ratpayer Gains								0
45 Working Cash	70	n/a	n/a	(82)	226	149	67	431
46 Total Average Rate Base	70	0	0	(82)	226	149	4,406	4,769
Income Tax Calculations								
47 Book Revenues	(38)	0	(67,071)	1,100	0	9,800	0	(56,209)
48 Book Expenses	2,973	0	(67,071)	(4,140)	0	0	1,722	(66,516)
49 Not used.								0
50 Int. R-Base @ Wtd Cost of Debt	2	0	0	(3)	(17,894)	5	0	(17,890)
51 Schedule M Differences	0	0	0	0	0	0	(1,722)	(1,722)
52 State Taxable Income	(3,014)	0	0	5,243	17,894	9,795	0	29,919
53 State Tax @ 5.120%	(188)	0	0	327	1,117	611	0	1,868
54 Additional Tax Depreciation	0	0	0	0		0	0	0
55 Federal Taxable Income	(2,826)	0	0	4,916	16,777	9,184	0	28,051
56 Fed Tax 35%	(989)	0	0	1,720	5,872	3,214	0	9,818
57 ITC @ 0%	0	0	0	0	0	0	0	0
58 Current Federal Tax	(989)	0	0	1,720	5,872	3,214	0	9,818
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	(1,195)	0	0	(1,195)
63 Total Income Tax	(1,177)	0	0	2,048	5,794	3,826	0	10,491

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Regulatory adjustments based on
Docket UE 215, Order 10-478

Type I Adjustments	Two-Cities (1)	Advertising (2)	SERP (3)	MDCP (4)	Incentive Pay (5)	2011 PCAM (6)	Total Type I Adjustments (7)
Operating Revenues							
1 Residential							0
2 Commercial							0
3 Industrial							0
4 Other Revenue						(5,477)	(5,477)
5 Unbilled Revenues							0
6 Sales to Consumers	0	0	0	0	0	(5,477)	(5,477)
6a Sales for Resale							
7 Other Operating Revenues							0
8 Total Operating Revenues	0	0	0	0	0	(5,477)	(5,477)
Operation & Maintenance							
9 Steam							0
10 Nuclear							0
11 Other							0
12 Production	0	0	0	0	0	0	0
13 Purchased Power							0
14 RPA Exchange							0
15 Sales for Resale							0
16 Wheeling	47						47
17 Net Variable Power Cost	47	0	0	0	0	0	47
18 Fixed Plant Cost						0	0
19 Transmission							0
20 Distribution							0
21 Total Fixed O&M	0	0	0	0	0	0	0
22 Customer Accounts	0	0	0	0	0	(31)	(31)
23 Customer Service		(684)					(684)
24 Administration & General	0	(193)	(1,484)	(5,780)	(4,561)	0	(12,018)
25 Other O&M	0	(877)	(1,484)	(5,780)	(4,561)	(31)	(12,733)
26 Total Operation & Maintenance	47	(877)	(1,484)	(5,780)	(4,561)	(31)	(12,686)
27 Depreciation & Amortization							0
28 Taxes Other than Income	0	0	0	0	0	(137)	(137)
29 Income Taxes (Non-Federal)	(0)	55	93	361	285	(331)	462
30 Federal Income Tax Net of ITC	(0)	288	487	1,898	1,498	(1,741)	2,430
31 Deferred Income Taxes	(18)	0	0	0	0	0	(18)
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	28	(534)	(904)	(3,521)	(2,778)	(2,241)	(9,950)
35 Utility Operating Income	(28)	534	904	3,521	2,778	(3,236)	4,473

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Type I Adjustments	Two-Cities (1)	Advertising (2)	SERP (3)	MDCP (4)	Incentive Pay (5)	PCAM (6)	Total Type I Adjustments (7)
Average Rate Base							
36 Utility Plant In Service					0		0
37 Accumulated Depecciation							0
38 Acc Def. Income Taxes	30						30
39 Acc Def. Inv. Tax Credit	0	0	0	0	0	0	0
40 Net Utility Plant	(30)	0	0	0	0	0	(30)
-----							0
41 Deferred Programs & Investments	76						76
42 Operating Materials & Fuel							0
43 Misc. Deferred Credits							0
44 Unamortized Ratepayer Gains							0
45 Working Cash @ 4.55%	1	(21)	(35)	(137)	(108)	(87)	(388)
46 Total Average Rate Base	48	(21)	(35)	(137)	(108)	(87)	(341)
Income Tax Calculations							
47 Book Revenues	0	0	0	0	0	(5,477)	(5,477)
48 Book Expenses	47	(877)	(1,484)	(5,780)	(4,561)	(168)	(12,823)
49 Not used							0
50 Int. R-Base @ Wtd Cost Debt	1	(1)	(1)	(4)	(3)	(3)	(11)
51 Schedule M Differences	(47)	0	0	0	0	0	(47)
52 State Taxable Income	(1)	878	1,485	5,784	4,564	(5,306)	7,404
53 State Tax @ 5.120%	(0)	55	93	361	285	(331)	462
54 Additional Tax Depreciation	0	0	0	0	0	0	0
55 Federal Taxable Income	(1)	823	1,393	5,423	4,279	(4,975)	6,942
56 Fed Tax @ 35%	(0)	288	487	1,898	1,498	(1,741)	2,430
57 ITC @ 0%	0	0	0	0	0	0	0
58 Current Federal Tax	(0)	288	487	1,898	1,498	(1,741)	2,430
ITC Adjustment							
59 Deferral	0	0	0	0	0	0	0
60 Restoration	0	0	0	0	0	0	0
61 Deferred Taxes	(18)	0	0	0	0	0	(18)
62 Current/Deferred Taxes True-up	0	0	0	0	0	0	0
63 Total Income Tax	(19)	343	580	2,259	1,783	(2,072)	2,873

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Type II Adjustments	Escalation and Period-End	Nonrecurring	End-of-Period Annualizing	Blank	Total
	Rate Base	Events	Adjustment		
	(1)	(2)	(3)	(4)	(5)
1 Residential			875		875
2 Commercial			1,710		1,710
3 Industrial					0
4 Other Revenue					0
5 Unbilled Revenues					0
6 Sales to Consumers	0	0	2,586	0	2,586
6a Sales for Resale					0
7 Other Operating Revenues		0			0
8 Total Operating Revenues	0	0	2,586	0	2,586
Operation & Maintenance					
9 Steam					0
10 Nuclear					0
11 Other		11,854			11,854
12 Production	0	11,854	0	0	11,854
13 Purchased Power	0		859		859
14 RPA Exchange					0
15 Sales for Resale					0
16 Wheeling		0			0
17 Net Variable Power Cost	0	11,854	859	0	12,713
18 Fixed Plant Cost	1,719				1,719
19 Transmission	178				178
20 Distribution	1,234		446		1,680
21 Total Fixed O&M	3,131	0	446	0	3,576
22 Customer Accounts/Bad Debt	856	0	15	0	871
23 Customer Service	188				188
24 Admin. & General / OPUC Fee	2,100	0	8	0	2,109
25 Other O&M	3,145	0	23	0	3,168
26 Total Operation & Maintenance	6,275	11,854	1,328	0	19,457
27 Depreciation & Amortization			708		708
28 Other Taxes/Franchise Fee	0	0	241	0	241
29 Income Taxes (Non-Federal)	(475)	(740)	19	0	(1,196)
30 Federal Inc. Tax Net of ITC	(2,497)	(3,893)	100	0	(6,289)
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	3,304	7,221	2,396	0	12,921
35 Utility Operating Income	(3,304)	(7,221)	189	0	(10,335)

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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	159,400				159,400
37 Accumulated Depecciation	105,590				105,590
38 Acc Def. Income Taxes	24,073				24,073
39 Acc Def. Inv. Tax Credit	(13)				(13)
40 Net Utility Plant	29,750	0	0	0	29,750

41 Deferred Programs & Investments	(61)				(61)
42 Operating Materials & Fuel	8,906				8,906
43 Misc. Deferred Credits	5,009				5,009
44 Unamortized Ratepayer Gains	0				0
45 Working Cash @ 5.20%	1,183	282	93	0	1,558
46 Total Average Rate Base	44,788	282	93	0	45,163
Income Tax Calculations					
47 Book Revenues	0	0	2,586	0	2,586
48 Book Expenses	6,275	11,854	2,277	0	20,406
49 Reverse Env. Tax for Calculation	0	0			0
50 Int. R-Base @ Wtd Cost of Debt	1,333	8	3	0	1,344
51 Schedule M Differences	0	0	0	0	0
52 State Taxable Income	(7,609)	(11,862)	306	0	(19,164)
53 State Tax @ 5.120%	(475)	(740)	19	0	(1,196)
Pollution Control Tax Credit					
54 Net State Taxes					
55 Federal Taxable Income	(7,134)	(11,122)	287	0	(17,968)
56 Fed Tax @ 35%	(2,497)	(3,893)	100	0	(6,289)
57 ITC @ 0%	0	0	0	0	0
58 Current Federal Tax	(2,497)	(3,893)	100	0	(6,289)
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	(2,972)	(4,633)	120	0	(7,485)

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COMPOSITE COST OF CAPITAL

UE 215, Order 10-478	Average Outstanding	Percent of Capital	Percent Cost	Weighted Percent Cost
Long Term Debt	N/A	50.00%	6.065%	3.033%
Preferred Stock	N/A	0.00%	0.000%	0.000%
Common Equity	N/A	50.00%	10.000%	5.000%
Total	0	100.00%		8.033%

Actual Averages	Average Outstanding	Percent of Capital	Percent Cost	Weighted Percent Cost
Long Term Debt	1,770,692	51.83%	6.057%	3.14%
Preferred Stock	0	0.00%	0.000%	0.00%
Common Equity	1,645,650	48.17%	10.693%	5.15%
Total	3,416,342	100.00%		8.29%

Actual End of Period	End of Period Outstanding	Percent of Capital	Percent Cost	Weighted Percent Cost
Long Term Debt	1,636,400	49.59%	6.002%	2.98%
Preferred Stock	0	0.00%	0.000%	0.00%
Common Equity	1,663,139	50.41%	9.928%	5.00%
Total	3,299,539	100.00%		7.98%

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	3,044,101
Wtd Cost of Debt	3.14%
Int. for tax deduction	95,572
(a) Int. for tax calculation	113,473
Utility tax adjust.	(17,901)

Common Equity		Common Equity	
Dec '10	1,592,470	Jul '11	1,662,918
Jan '11	1,625,774	Aug '11	1,657,471
Feb '11	1,628,269	Sep '11	1,653,432
Mar '11.	1,642,552	Oct '11	1,661,370
Apr '11	1,659,381	Nov '11	1,654,796
May '11	1,646,660	Dec '11	1,663,139
Jun '11	1,645,218		

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