

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

OR  
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the Transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-5532-99

PORTLAND GENERAL ELECTRIC COMPANY  
(Exact name of registrant as specified in its charter)

OREGON 93-0256820  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

121 SW SALMON STREET, PORTLAND, OREGON 97204  
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: (503) 464-8000

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Portland General Electric Company 8.25% Quarterly Income Debt Securities (Junior Subordinated Deferrable Interest Debentures, Series A)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

TITLE OF CLASS	
Portland General Electric Company, 7.75% Series, Cumulative Preferred Stock, no par value	None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of February 28, 1999: \$0.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of February 28, 1999: 42,758,877 shares of Common Stock, \$3.75 par value. (All shares are owned by Enron Corp.)

DEFINITIONS

The following abbreviations or acronyms used in the text and notes are defined below:

Abbreviations OR Acronyms	Term
AFDC.....	Allowance for Funds Used During Construction
Beaver.....	Beaver Combustion Turbine Plant
Bethel.....	Bethel Combustion Turbine Plant
Boardman.....	Boardman Coal Plant
BPA.....	Bonneville Power Administration
Centralia.....	Centralia Coal Plant
Colstrip.....	Colstrip Units 3 and 4 Coal Plant
Coyote Springs.....	Coyote Springs Generation Plant
CUB.....	Citizens' Utility Board
DEQ.....	Oregon Department of Environmental Quality
Enron.....	Enron Corp.
EFSC.....	Energy Facility Siting Council
EPA.....	Environmental Protection Agency

FERC.....Federal Energy Regulatory Commission  
Financial Statements.....Refers to Financial Statements of Portland  
General Electric Company included in  
Part II, Item 8 of this report  
KWh.....Kilowatt-hour  
MW.....Megawatt  
Mwa.....Average megawatts  
MWh.....Megawatt-hour  
NRC.....Nuclear Regulatory Commission  
NYMEX.....New York Mercantile Exchange  
OPUC or the Commission.....Oregon Public Utility Commission  
PGE or the Company.....Portland General Electric Company  
PUD.....Public Utility District  
Regional Power Act.....Pacific Northwest Electric Power Planning  
and Conservation Act  
SFAS.....Statement of Financial Accounting Standards  
issued by the FASB  
Trojan.....Trojan Nuclear Plant  
USDOE.....United States Department of Energy  
WAPA.....Western Area Power Authority  
WNP-3.....Washington Public Power Supply System  
Unit 3 Nuclear Project  
WSCC.....Western Systems Coordinating Council

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Part I

ITEM 1. BUSINESS

GENERAL

PGE, incorporated in 1930, is an electric utility engaged in the generation, purchase, transmission, distribution, and sale of electricity in the State of Oregon. PGE also sells energy to wholesale customers throughout the western United States. PGE's Oregon service area is 3,170 square miles, including 54 incorporated cities, of which Portland and Salem are the largest, within a state-approved service area allocation of 4,070 square miles. PGE estimates that at the end of 1998 its service area population was approximately 1.5 million, constituting approximately 44% of the state's population. At December 31, 1998 PGE served approximately 704,000 customers.

On July 1, 1997 Portland General Corporation (PGC), the former parent of PGE, merged with Enron Corp. (Enron) with Enron continuing in existence as the surviving corporation. PGE is now a wholly owned subsidiary of Enron and subject to control by the Board of Directors of Enron.

As of December 31, 1998, PGE had 2,728 employees. This compares to 2,729 and 2,587 PGE employees at December 31, 1997 and 1996, respectively.

OPERATING REVENUES

RETAIL

PGE serves a diverse retail customer base. Residential customers constitute the largest customer class and account for approximately 48% of total retail revenues, with Commercial and Industrial customers accounting for 38% and 14%, respectively. Residential demand is highly sensitive to the effects of weather, with company revenues highest during the winter heating season. Electricity sales to both Commercial and Industrial customers declined somewhat in 1998 due to the effects of PGE's Customer Choice pilot program, which allowed some customers to buy their power from competing energy service providers; this program terminated at the end of 1998. The commercial and industrial classes are not dominated by any single industry. While the 20 largest customers constitute about 22% of retail demand, they represent 10 different industrial groups, including paper manufacturing, high technology, metal fabrication, transportation equipment, and health services. No single customer represents more than 6% of PGE's total retail load.

In late 1997 PGE filed a proposal before the OPUC which would give all its customers a choice of electricity providers as early as January 1, 1999. PGE's Customer Choice proposal included new price tariffs and a new structure for the company in which PGE would become a regulated transmission and distribution company focused on delivering, but not selling electricity. In January 1999, the OPUC issued an order recommending that PGE offer its customers a limited set of options, including the ability to continue to purchase rate-regulated electricity, with most commercial and industrial customers able to choose their electricity provider through direct access. The Commission's order further requires PGE to refile a new rate case should it choose to adopt the plan recommended by the order, which is also contingent upon the adoption of certain statutory changes by the Oregon Legislature. Until such changes are made and agreed upon among all parties, PGE will not be implementing its proposal or accompanying new rate structure.

## WHOLESALE

Wholesale electricity sales comprised about 20% of total operating revenues in 1998, down from about 35% in 1997. During the last several years PGE has actively marketed wholesale power throughout the western United States, with significant sales growth since 1994; most of such growth has come through sales to marketers and brokers and have been predominantly short-term. PGE will continue its participation in the wholesale marketplace in order to balance its supply of power to meet the needs of its retail customers, manage risk, and administer its current long-term wholesale contracts. Long-term wholesale trading activities have been transferred to a non-regulated Enron affiliate, which participates more fully in a broader market. PGE expects that its future revenues from the wholesale marketplace will decline.

The following table summarizes operating revenues and Mwh sales for the years ended December 31:

	1998	1997	1996
Operating Revenues (Millions)			
Residential	\$ 432	\$ 391	\$ 427
Commercial (1)	345	354	357
Industrial	132	144	149
Tariff Revenues	909	889	933
Accrued (Collected) Revenues	(8)	10	(27)
Retail	901	899	906
Wholesale	234	497	194
Other	41	21	10
Total Operating Revenues	\$1,176	\$1,417	\$1,110
Megawatt-Hours Sold (Thousands)			
Residential	7,101	6,999	7,073
Commercial (1)	6,781	6,973	6,577
Industrial	3,562	4,247	3,909
Retail	17,444	18,219	17,559
Wholesale	10,869	26,934	10,188
Total MWh Sold	28,313	45,153	27,747
Energy Delivered to ESP Customers (2)	1,292	2	0
Total MWh Sold and Delivered	29,605	45,155	27,747

(1) Includes Public Street Lighting.

(2) Represents energy delivered to customers of Energy Service Providers under PGE's Customer Choice Pilot Program (described further in "Regulatory Matters").

For additional information on year-to-year revenue trends, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

## REGULATION

The OPUC, a three-member commission appointed by the Governor, approves PGE's retail rates and establishes conditions of utility service. The OPUC ensures that prices are fair and equitable and provides PGE an opportunity to earn a fair return on its investment. In addition, the OPUC regulates the issuance of securities and prescribes the system of accounts to be kept by Oregon utilities.

PGE is also subject to the jurisdiction of the FERC with regard to the transmission and sale of wholesale electric energy, licensing of hydroelectric projects and certain other matters.

Construction of new generating facilities requires a permit from the Energy Facility Siting Council (EFSC).

The NRC regulates the licensing and decommissioning of nuclear power plants. In 1993 the NRC issued a possession-only license amendment to PGE's Trojan operating license and in early 1996 approved the Trojan Decommissioning Plan. Approval of the Trojan Decommissioning Plan by the NRC and EFSC has allowed PGE to begin decommissioning activities, which are proceeding satisfactorily and within approved cost estimates. PGE received regulatory approval in 1998 to ship and dispose of the Trojan reactor vessel as a single package, called the Reactor Vessel And Internals Removal Project (RVAIR). In 1998 PGE applied for approval of the Independent Spent Fuel storage Installation (ISFSI) project, and expects full approval in 1999. Equipment removal and disposal activities will also continue in 1999. Trojan will be subject to NRC regulation until it is fully decommissioned, all nuclear fuel is removed from the site, and the license terminated. The Oregon Department of Energy also monitors Trojan. (For further information, see "Nuclear Decommissioning" in Item 7. - "Management's Discussion and Analysis of Financial Condition and Results of Operations").

## REGULATORY MATTERS

### CUSTOMER CHOICE

#### PROPOSAL

In late 1997 PGE filed a proposal before the OPUC to give all of its customers a choice of electricity providers as early as 1999. Under the proposal, PGE would become a regulated transmission and distribution company focused on delivering, but not selling, electricity. PGE would continue to operate and maintain the electricity delivery system and handle outage restoration, while other competitive companies would market power to customers over that system. To effect this restructuring, PGE asked for OPUC approval to sell all its generating assets, power supply and purchase contracts.

In July 1998, the OPUC staff issued its position, disagreeing with PGE's proposal for full customer choice. On January 28, 1999, the OPUC issued an order recommending that PGE offer customers a limited set of options, including the ability to continue to purchase rate-regulated electricity. In addition, most commercial and industrial customers (those with demand exceeding 30 kW) would be able to choose their electricity provider through direct access. Although the order would allow PGE to sell its coal- and gas-fired generation plants, it rejected PGE's request to sell its hydroelectric assets. The Commission's order further requires PGE to refile a new rate case should it choose to adopt the plan recommended by the order, which is also contingent upon the adoption of certain statutory changes by the Oregon Legislature. Until such changes are made and agreed upon among all parties, PGE will not be implementing its proposal or accompanying new rate structure.

The issue of restructuring will be further addressed by the 1999 Oregon Legislature; PGE is reviewing the OPUC order and will encourage legislation that creates a comprehensive approach to the electricity industry that helps develop a market that is truly competitive.

#### INTRODUCTORY PROGRAM

PGE initiated the Customer Choice Introductory Program as a one-year pilot to test deregulation readiness by allowing certain customers to buy their power from competing energy service providers. The program, approved by the OPUC, was made available to about 50,000 residential, small business and commercial customers in four cities and industrial customers throughout PGE's service territory. At its peak, over 8,700 - almost 17 percent of eligible retail customers - had selected from among eight participating energy service providers. The one-year pilot program terminated on December 31, 1998, and all participating customers returned to PGE.

The Customer Choice Introductory Program provided valuable information to PGE, the OPUC, and legislators on the effects of retail competition on PGE and its customers. An extensive independent assessment of the program was completed and made available to interested parties, including the State Legislature. Such assessment indicated wide satisfaction by both customers and energy service providers, with lower prices and the ability to choose their electricity supplier cited as primary reasons for customer participation.

#### LEAST COST ENERGY PLANNING

The OPUC adopted Least Cost Energy Planning for all energy utilities in Oregon, with the goal of selecting the mix of resources that yields a reliable supply of energy at the least cost to customers. PGE has filed for formal approval of its 1998-1999 Integrated Resource Plan (IRP) with the OPUC. The plan recognizes fundamental changes occurring in the electric industry and establishes a transition strategy for the next two years. The plan will maintain PGE's delivery capability and provides a bridge to a competitive environment in which funding for public purposes is provided from a System Benefit Charge.

#### RESIDENTIAL EXCHANGE PROGRAM

In 1980, the Regional Power Act (RPA) was passed by Congress in response to growing power supply and cost inequities between customers of government and publicly-owned utilities, who have priority access to low-cost power from the federal hydroelectric system, and the customers of investor-owned utilities ("IOUs"). The RPA created the Residential Exchange Program to ensure that all residential and small farm customers in the region, the majority of which are served by IOUs, receive similar benefits from the publicly funded federal power

system. Exchange benefits are passed directly to PGE's customers in the form of price adjustments contained in OPUC-approved tariffs. In January 1998, rates for PGE's residential and small farm customers increased 11.9% due to the Bonneville Power Administration's (BPA) elimination of the Residential Exchange Credit. PGE contested this decision and in September 1998 signed a Residential Exchange Termination Agreement with BPA that provides for a total of \$34.5 million in BPA payments through September 2000 and continues to provide benefits to PGE's residential and small farm customers through at least June 2001; the current customer credit under the Residential Exchange Program amounts to about 1% to 2% on the average monthly electricity bill. This new agreement with BPA allowed for a retail rate rollback in late 1998 to a net increase of 5.7%.

#### ENERGY EFFICIENCY

PGE has long promoted the efficient use of electricity. Current Demand Side Management (DSM) programs provide a range of services to all classes of PGE customers and seek to maximize those opportunities in which efficiency measures are most cost-effective for both PGE ratepayers and customers. In order to do this, PGE is focusing on both commercial and industrial new construction and industrial process improvements, and continues to provide a weatherization program for eligible low-income families. PGE is also focusing on developing a regional solution to funding and delivering energy efficiency in a competitive environment.

### COMPETITION AND MARKETING

#### GENERAL

As electricity deregulation moves forward nationally, PGE continues to maintain its commitment to service excellence while assisting in the formation of a competitive electricity market in the Northwest. Its Customer Choice Pilot Program was successfully implemented in 1998 and provided valuable information on the effects of retail competition on PGE and its customers. PGE's deregulation strategy encompasses five key principles: bringing true market conditions to the industry, separating the regulated and non-regulated portions of utility services, removing the incumbent utility advantage, transferring commercial customer relationships to the energy service provider and allowing the market to determine the cost of transitioning from a regulated to a deregulated environment. The outcome of PGE's efforts to help create a more competitive electricity market will depend in large part on both statutory and regulatory changes.

#### RETAIL COMPETITION AND MARKETING

PGE operates within a state-approved service area and under current regulation is substantially free from direct retail competition with other electric utilities. PGE's competitors within its Oregon service territory include other fuel suppliers, such as the local natural gas company, which compete with PGE for the residential and commercial space and water heating market. In addition, there is the potential for the loss of PGE service territory from the creation of public utility districts or municipal utilities by voters.

#### WHOLESALE COMPETITION AND MARKETING

The FERC has taken steps to provide a framework for increased competition in the electric industry. In 1996, it issued Order 888 requiring non-discriminatory open access transmission by all public utilities that own interstate transmission, requiring utilities to file tariffs that offer others the same transmission services they provide themselves under comparable terms and conditions. It also requires reciprocity from municipals, cooperatives, and federal power marketers receiving service under the tariff and allows public utilities to recover stranded costs in accordance with the terms, conditions and procedures set forth in the order.

The Company's transmission system connects winter-peaking utilities in the Northwest and Canada, which have access to low-cost hydroelectric generation, with summer-peaking wholesale customers in California and the Southwest, which have higher-cost fossil fuel generation. PGE has used this system to purchase and sell in both markets depending upon the relative price and availability of power, water conditions, and seasonal demand from each market.

## POWER SUPPLY

Growth within PGE's service territory, as well as its wholesale trading activities, has underscored the Company's need for sources of reliable, low-cost energy supplies. The demand for energy within PGE's service territory has experienced an average annual growth rate of approximately 2.5% over the last 10 years. Although wholesale activity has recently declined, PGE's retail demand is expected to continue its upward trend. PGE has relied increasingly on short-term purchases to supplement its existing base of generating resource and long-term power contracts to meet its energy needs. Short-term purchases include both secondary as well as firm purchases for periods less than one year in duration. The availability of short-term firm purchase agreements and PGE's ability to renew these contracts on a month-by-month basis have enabled PGE to minimize risk and enhance its ability to provide reliable low-cost energy to retail customers. Increased competition has placed pressure on the price of short-term power as well as enhanced its availability. Northwest hydro conditions also have a significant impact on regional power supply. Plentiful water conditions can lead to surplus power and the economic displacement of more expensive thermal generation.

### GENERATING CAPABILITY

PGE's existing hydroelectric, coal-fired and gas-fired plants are important resources for the Company, providing 2,023 MW of generating capability (see Item 2. Properties, for a full listing of PGE's generating facilities). PGE's lowest-cost producers are its eight hydroelectric projects on the Clackamas, Sandy, Deschutes, and Willamette rivers in Oregon. These facilities operate under federal licenses, which will be up for renewal between the years 2001 and 2006.

On November 1, 1998, PGE signed a definitive agreement to sell its 20 percent interest in coal-fired generating units 3 and 4 of the Colstrip power plant, located in eastern Montana. The agreement, subject to both state and federal approval, would transfer ownership of PGE's 322 megawatt interest in the plant to PP&L Global, a subsidiary of PP&L Resources, for \$230.5 million. Regulatory approval of this agreement is expected to take about one year. It is not anticipated that the sale will have an adverse impact on the results of operations.

### PURCHASED POWER

PGE has long-term power contracts with four hydro projects on the mid-Columbia River which provide PGE with 650 MW of firm capacity. PGE also has firm contracts, ranging in term from 1 to 30 years, to purchase 519 MW, primarily hydro-generated, from other Pacific Northwest utilities. In addition, PGE has a long-term exchange contract with a summer-peaking Southwest utility to help meet its winter-peaking requirements. These resources, along with short-term contracts, provide PGE with sufficient firm capacity to serve its peak loads.

### SYSTEM RELIABILITY AND THE WSCC

PGE relies on wholesale market purchases within the WSCC in conjunction with its base of generating resources to supply its resource needs and maintain system reliability. The WSCC is the largest and most diverse of the 10 regional electric reliability councils. The WSCC performs an essential role in developing and monitoring established reliability criteria guides and procedures to ensure continued reliability of the electric system. During the last few years, the area covered by WSCC has become a dynamic marketplace for the trading of electricity. This area, which extends from Canada to Mexico and includes 14 Western states, is very diverse in climates. Peak loads occur at different times of the year in the different regions within the WSCC area. Energy loads in the Southwest peak in summer due to air conditioning; northern loads peak during winter heating months. Further, according to WSCC forecasts, the nearly 80 electric organizations participating in the WSCC, which include utilities, independent power producers and transmission utilities, have sufficient generating capacity to meet forecast demand and energy requirements until the year 2006.

### January Reserve Margin WSCC Region

(Megawatts)

	WSCC Reserve Margin	% Margin
1993	22,997	0.217
1994	31,033	0.31
1995	28,693	0.288
1996	24,500	0.221
1997	36,246	0.325
1998	37,145	0.326
1999	33,240	0.286
2000	34,309	0.29
2001	34,056	0.284
2002	30,842	0.253

Favorable water conditions also contribute to increased energy supplies.

During 1998, PGE's peak load was 4,073 MW, of which 14% was met through short-term purchases. PGE's firm resource capacity, including short-term purchase agreements, totaled approximately 4,492 MW as of December 31, 1998.

#### RESTORATION OF SALMON RUNS

The populations of many salmon species in the Pacific Northwest have shown significant decline over the last several decades. A significant number of these species have either been granted or are being evaluated for protection under the federal Endangered Species Act (ESA). While long term recovery plans for these species may include major operational changes to the region's hydroelectric projects, including PGE's, the impacts to date have been minimal. The biggest change has been modifying the timing of the releases of water stored behind the dams in the upper part of the Columbia and Snake River basins. This change in water releases has resulted in decreased energy generation in the fall and winter. Favorable hydro conditions helped mitigate the effect of these actions in 1997 and 1998.

PGE continues to evaluate the impact of these listings on the operation of hydroelectric projects on the Deschutes, Sandy, Clackamas, and Willamette Rivers. We foresee no further operational changes to our hydroelectric projects during 1999 as a result of recovery measures for endangered salmon.

## FUEL SUPPLY

Fuel supply contracts are negotiated to support annual planned plant operations. Flexibility in contract terms is sought to allow for the most economic dispatch of PGE's thermal resources in conjunction with the current market price of wholesale power.

### COAL

#### BOARDMAN

PGE has agreements to purchase coal for Boardman that cover a portion of total requirements through the year 2000. Coal purchases in 1998, totaling about 2 million tons, contained less than 0.4% of sulfur by weight and emitted less than the EPA allowable limit of 1.2 pounds of sulfur dioxide per MMBtu when burned. The coal, from surface mining operations in Wyoming, was subject to federal, state and local regulations. Coal is delivered to Boardman by rail under a contract which expires in 2003.

#### COLSTRIP

Coal for Colstrip Units 3 and 4, located in southeastern Montana, is provided under contract with Western Energy Company, a wholly owned subsidiary of Montana Power Company. The contract provides that the coal delivered will not exceed a maximum sulfur content of 1.5% by weight. The Colstrip plant has sulfur dioxide removal equipment to allow operation in compliance with EPA's source-performance emission standards. PGE has reached an agreement to sell its 20 percent interest in Colstrip Units 3 and 4 (for additional information, see "Power Supply").

#### CENTRALIA

Coal for Centralia Units 1 and 2, located in Southwestern Washington, is provided under contract with PacifiCorp, doing business as PacifiCorp Electric Operations. Most of Centralia's coal requirements are expected to be provided under this contract for the foreseeable future.

PLANT	SULFUR CONTENT	TYPE OF POLLUTION CONTROL EQUIPMENT
Boardman, OR	0.4%	Electrostatic precipitators
Centralia, WA	0.7%	Electrostatic precipitators
Colstrip, MT	0.7%	Scrubbers and precipitators

### NATURAL GAS

In addition to the agreements discussed below, the Company utilizes short-term and spot market purchases to secure transportation capacity and gas supplies sufficient to fuel plant operations.

#### BEAVER

PGE owns 90% of the Kelso-Beaver Pipeline, which directly connects its Beaver generating station to Northwest Pipeline, an interstate gas pipeline operating between British Columbia and New Mexico. During 1998, PGE had access to 76,000 MMBtu/day of firm transportation capacity, enough to operate Beaver at a 70% load factor.

#### COYOTE SPRINGS

The Coyote Springs generating station utilizes 41,000 MMBtu/day of firm transportation capacity on three interconnecting pipeline systems accessing the gas fields in Alberta, Canada. Firm gas supplies for Coyote Springs are purchased at market based prices up to two years prior to delivery based on the anticipated operation of the plant. PGE believes that sufficient gas is available in the marketplace to meet the full fuel requirements of the plant. PGE remarkets any natural gas and transportation capacity that are excess to its needs.

## ENVIRONMENTAL MATTERS

PGE operates in a state recognized for environmental leadership. PGE's environmental stewardship policy emphasizes minimizing waste in its operations, minimizing environmental risk, and promoting the wise use of energy.

### REGULATION

PGE's current and historical operations are subject to a wide range of environmental protection laws covering air and water quality, noise, waste disposal, and other environmental issues. The EPA regulates the proper use, transportation, cleanup and disposal of polychlorinated biphenyls (PCBs). State agencies or departments which have direct jurisdiction over environmental matters include the Environmental Quality Commission, the DEQ, the Oregon Office of Energy and EFSC. Environmental matters regulated by these agencies include the siting and operation of generating facilities and the accumulation, cleanup, and disposal of toxic and hazardous wastes.

### CLEANUP

PGE is involved with others in the environmental cleanup of PCB contaminants at various sites as a potentially responsible party (PRP). The cleanup effort is considered complete at several sites which are awaiting consent orders from the appropriate regulatory agencies. These and future cleanup costs are not expected to be material.

### AIR/WATER QUALITY

The Clean Air Act (Act) requires significant reductions in emissions of sulfur dioxide, nitrogen oxide and other contaminants. Coal-fired plant operations will be affected by these emission limitations. State governments are also charged with monitoring and administering certain portions of the Act. Each state is required to set guidelines that at least equal federal standards.

Boardman was assigned sufficient sulfur emission allowances by the EPA to operate after the year 2000 at a 60% to 67% capacity factor without having to further reduce emissions. If needed, PGE will purchase additional allowances to meet excess capacity needs. Centralia will be required to reduce emissions by the year 2001, with the owner-operator utility considering the installation of scrubbers. As it already utilizes scrubbers, it is not anticipated that Colstrip will be required to reduce emissions. However, future legislation, if adopted, could affect plant operations and increase operating costs or reduce coal-fired capacity.

Federal operating permits, issued by the DEQ, have been obtained for all of PGE's fossil fuel generating facilities.

ITEM 2.

PROPERTIES

PGE's principal plants and appurtenant generating facilities and storage reservoirs are situated on land owned by PGE in fee or land under the control of PGE pursuant to valid existing leases, federal or state licenses, easements, or other agreements. In some cases meters and transformers are located upon the premises of customers. The Indenture securing PGE's first mortgage bonds constitutes a direct first mortgage lien on substantially all utility property and franchises, other than expressly excepted property. The map below shows PGE's Oregon service territory and location of generating facilities:

OREGON

Generating facilities owned by PGE are set forth in the following table:

FACILITY	Location	Fuel	PGE Net MW Capability	
<b>WHOLLY OWNED:</b>				
Faraday	Clackamas River	Hydro	44	
North Fork	Clackamas River	Hydro	54	
Oak Grove	Clackamas River	Hydro	44	
River Mill	Clackamas River	Hydro	25	
Pelton	Deschutes River	Hydro	108	
Round Butte	Deschutes River	Hydro	300	
Bull Run	Sandy River	Hydro	22	
Sullivan	Willamette River	Hydro	16	
Beaver	Clatskanie, OR	Gas/Oil	500	
Coyote Springs	Boardman, OR	Gas/Oil	241	
<b>JOINTLY OWNED:</b>				
Boardman	Boardman, OR	Coal	348 @	PGE INTEREST 65.8%
Centralia	Centralia, WA	Coal	33 @	2.5%
Colstrip 3 & 4	Colstrip, MT	Coal	288 @	20.0%
Total			2,023	

PGE holds licenses under the Federal Power Act for its hydroelectric generating plants. All of its licenses expire during the years 2001 to 2006. FERC requires that a notice of intent to relicense these projects be filed approximately five years prior to expiration of the license. PGE filed for relicensing of the Pelton Round Butte Project in December 1998 and is actively pursuing the renewal of all other licenses. The State of Oregon also has licensed all or portions of five hydro plants. For further information see the Hydro Relicensing discussion in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Following the 1993 Trojan closure, PGE was granted a possession-only license amendment by the NRC. In early 1996 PGE received NRC approval of its Trojan decommissioning plan. See Note 11, Trojan Nuclear Plant, in the Notes to the Financial Statements for further information.

#### LEASED PROPERTIES

Combustion turbine generators at Beaver operate under a 25-year lease agreement. In February 1999, PGE exercised its option to purchase the generators for \$37 million at the August 1999 termination of the lease. The lease of combustion turbine generators at Bethel terminated at the end of 1998. PGE leases its headquarters complex in downtown Portland and the coal-handling facilities and certain railroad cars for Boardman.

ITEM 3. LEGAL PROCEEDINGS

UTILITY

UTILITY REFORM PROJECT V. OPUC, MULTNOMAH COUNTY CIRCUIT COURT

On February 18, 1992 the Utility Reform Project (URP) filed a complaint in Multnomah County Oregon Circuit Court asking the court to set aside and rescind OPUC Order No. 91-1781 that authorized PGE a temporary rate increase to recover a portion (approximately \$22 million) of the excess power costs incurred during the 1991 Trojan outage. URP's challenge was stayed pending the outcome of a similar jurisdictional issue in another case already on appeal. That other case was decided, the stay lifted, and the URP challenge proceeded. PGE filed a motion, which was granted, to intervene as a participant in the case, and both PGE and the OPUC moved to have the case dismissed. The case was dismissed in December 1998 by the Multnomah County Circuit Court Judge.

CITIZENS' UTILITY BOARD OF OREGON V. PUBLIC UTILITY COMMISSION OF OREGON AND UTILITY REFORM PROJECT AND COLLEEN O'NEILL V. PUBLIC UTILITY COMMISSION OF OREGON, MARION COUNTY OREGON CIRCUIT COURT

The Citizens' Utility Board (CUB) appealed a 1994 ruling from the Marion County Circuit Court which upheld the order of the OPUC in its Declaratory Ruling proceeding (DR-10). In the DR-10 proceeding, PGE filed an Application with the OPUC requesting a Declaratory Ruling regarding recovery of the Trojan investment and decommissioning costs. On August 9, 1993 the OPUC issued the declaratory ruling. In its ruling, the OPUC agreed with an opinion issued by the Oregon Department of Justice (Attorney General) stating that under current law, the OPUC has authority to allow recovery of and a return on Trojan investment and future decommissioning costs.

In PGE's 1995 general rate case, the OPUC issued an order granting PGE full recovery of Trojan decommissioning costs and 87% of its remaining investment in the plant. The URP filed an appeal of the OPUC's order. URP alleged that the OPUC lacked authority to allow PGE to recover Trojan costs through its rates. The complaint sought to remand the case back to the OPUC and have all costs related to Trojan immediately removed from PGE's rates.

The CUB also filed an appeal challenging the portion of the OPUC's order issued in PGE's 1995 general rate case that authorized PGE to recover a return on its remaining investment in Trojan. CUB alleged that the OPUC's decision was not based upon evidence received in the rate case, is not supported by substantial evidence in the record of the case, was based on an erroneous interpretation of law and is outside the scope of the OPUC's discretion, and otherwise violates constitutional or statutory provisions. CUB sought to have the order modified, vacated, set aside or reversed.

On April 4, 1996, a circuit court judge in Marion County, Oregon rendered a decision that contradicted a November 1994 ruling from the same court. The 1996 decision found that the OPUC could not authorize PGE to collect a return on its undepreciated investment in Trojan currently in PGE's rate base. The 1994 and 1996 circuit court decisions were consolidated and appealed to the Oregon Court of Appeals.

On June 24, 1998, the Court of Appeals of the State of Oregon ruled that the OPUC does not have the authority to allow PGE to recover a rate of return on its undepreciated investment in Trojan. The court upheld the OPUC's authorization of PGE's recovery of its undepreciated investment in Trojan and its costs to decommission Trojan.

On August 26, 1998, PGE filed a Petition for Review with the Oregon Supreme Court, supported by amicus briefs filed by three other major utilities seeking review of that portion of the Oregon Court of Appeals decision relating to PGE's return on its undepreciated investment in Trojan. The OPUC has also filed such a petition for review. If the Supreme Court declines to hear the case, it would be referred back to the OPUC.

Also on August 26, 1998, the Utility Reform Project filed a Petition for Review with the Oregon Supreme Court seeking review of that portion of the Oregon Court of Appeals decision relating to PGE's recovery of its undepreciated investment in Trojan.

LLOYD K. MARBET AND LAURENCE TUTTLE V OREGON WATER RESOURCES DEPT AND OREGON PUC

On November 9, 1998, two individuals filed suit in Multnomah County, Oregon Circuit Court against two agencies of the State of Oregon (the Oregon Water Resources Dept and the OPUC) seeking a declaration that the State of Oregon possesses certain contractual rights to current or future ownership of hydroelectric generating facilities licensed by the State of Oregon. The suit alleges certain state statutes, which were repealed in 1995, were incorporated into state licenses for some hydroelectric facilities licensed or permitted by the state prior to that date, and that the State of Oregon therefore has the right to assume ownership of such hydroelectric facilities when they have been fully depreciated. The relief requested includes an order that the state agencies perform an accounting to determine the depreciation status of the various projects. The complaint alleges that PGE's Round Butte generating facility is one of the projects that incorporated such statutes into a state license; the complaint does not allege specifically what other hydroelectric facilities in Oregon, owned by PGE or otherwise, would be affected. PGE's motion to intervene in this proceeding was granted. PGE cannot predict the outcome of this matter at this time.

COLUMBIA RIVER PEOPLE'S UTILITY DISTRICT V PORTLAND GENERAL ELECTRIC COMPANY

On December 1, 1998, the Columbia River People's Utility District (CRPUD) filed an anti-trust complaint in Federal District Court which seeks to overturn a 1984 Judgment and Acquisition Agreement that confirmed PGE's exclusive right to serve Boise Cascade Corporation ("Boise"). The complaint seeks a declaration that the provision of such agreement establishing the amount to be paid by CRPUD to PGE if CRPUD condemns PGE's facilities necessary to serve Boise be declared invalid and unenforceable; it also seeks an injunction barring PGE from enforcing such agreement and judgment related to this matter. Attorney fees and costs are sought but no claim has been made for monetary damages. PGE cannot predict the outcome of this matter at this time.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

PGE is a wholly owned subsidiary of Enron. PGE's common stock is not publicly traded. Aggregate cash dividends declared on common stock were as follows (millions of dollars):

QUARTER	1998	1997
First	\$ -	\$ 14
Second	16	16
Third	16	17
Fourth	17	-

PGE is restricted, without prior OPUC approval, from making any dividend distributions to Enron that would reduce PGE's common equity capital below 48% of total capitalization.

ITEM 6. SELECTED FINANCIAL DATA

	For the Years Ended December 31				
	1998	1997	1996	1995	1994
	(millions of dollars)				
Operating Revenues	\$1,176	\$1,416	\$1,110	\$982	\$959
Net Operating Income	200	208	230	201	159
Net Income	137	126	156	93{1}	106
Total Assets	\$3,162	\$3,256	\$3,398	\$3,246	\$3,354
Long-Term Obligations{2}	981	1,038	963	931	856

NOTES TO THE TABLE ABOVE:

1 Includes a loss of \$50 million from regulatory disallowances.

2 Includes long-term debt, preferred stock subject to mandatory redemption requirements, long-term capital lease obligations, and commercial paper to be refinanced.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

GENERAL

1998 COMPARED TO 1997

Portland General Electric's net income for 1998 was \$137 million compared to \$126 million for 1997. Net income in 1997 included the effect of a \$14 million non-recurring loss provision associated with non-utility property. PGE's operating performance reflected the addition of over 19,000 new customers in one of the faster growing service territories in the U.S.

Retail revenues increased \$2 million, as the effects of warmer winter weather and the move of about 8,700 customers to other energy service providers under PGE's Customer Choice pilot program largely offset the increase in customers served. Revenues from power delivery services to energy service providers totaled \$21 million for the year and caused the increase in Other operating revenues.

NET INCOME  
\$ Millions

1994	106
1995	93
1996	156
1997	126
1998	137

Wholesale revenues decreased \$263 million, or 53%, reflecting PGE's decision to limit wholesale activities to transactions related to the management of system power supplies and generation.

OPERATING REVENUES  
\$Millions

	RETAIL	WHOLESALE
1994	845	106
1995	877	95
1996	906	194
1997	899	497
1998	901	234

Purchased power and fuel costs decreased \$234 million, or 35%, due almost entirely to reduced wholesale trading activity. A 52% decrease in energy purchases was offset somewhat by higher average prices (16.2 mills in 1997, 18.0 mills in 1998), caused largely by increased winter gas prices and tight market conditions in the southwestern United States. Company generation provided 37% of total power needs, up from 16% in 1997; coal and gas powered generation almost tripled, with average production costs significantly less than the cost to purchase.

RETAIL ENERGY SALES  
Million MWhs

1994	16.802
1995	17.065
1996	17.559
1997	18.221
1998	18.736

1997/1998 include energy delivered to ESP customers

MEGAWATT-HOURS/VARIABLE POWER COSTS

	Megawatt-Hours (thousands)		Average Variable Power Cost (Mills/Kwh)	
	1998	1997	1998	1997
	Generation	10,854	7,326	8.6
Firm Purchases	16,595	36,014	17.3	16.5
Spot Purchases	2,180	2,958	23.6	12.2
Total Send-Out	29,629	46,298	* 15.6	* 15.1

(\* includes wheeling costs)

Operating expenses (excluding purchased power and fuel, depreciation and taxes) increased \$9 million, or 4%. The increase was due largely to the payment of \$12 million in Enron overhead costs and a \$2 million increase in production and distribution expenses; these were partially offset by a \$5 million decrease in customer support, marketing, and sales expenses.

Depreciation and amortization expense decreased \$6 million, or 4%. A \$13 million decrease caused by the amortization of regulatory credits and the gain on the sale of land formerly occupied by PGE's Western Division offices was partially offset by a \$7 million increase in depreciation expense due to capital additions to PGE's distribution system.

OPERATING EXPENSES  
(\$ Millions)

	Depreciation	Operating Costs	Variable Power
1994	128	334	338
1995	140	356	285
1996	162	410	308
1997	155	378	675
1998	149	386	441

Other Income increased \$20 million, due largely to a \$14 million after tax loss provision recorded in 1997 for the future removal of non-utility property. Also contributing to the 1998 increase were gains on sales of non-utility land and timber.

1997 COMPARED TO 1996

Portland General Electric's net income for 1997 was \$126 million, including a \$14 million non-recurring loss provision associated with non-utility property. Excluding this provision, 1997 net income would have been \$140 million compared to \$156 million in 1996. PGE's strong operating performance reflected the addition of over 17,000 new customers in one of the faster growing service territories in the U.S. Continued customer growth helped mitigate the impact of a December 1996 rate settlement which resulted in a \$70 million annual rate reduction for PGE's regulated retail customers.

Retail revenues decreased \$8 million primarily due to the decrease in rates mentioned above.

Wholesale revenues totaled \$497 million in 1997, an all-time record for PGE and an increase of over \$300 million from 1996 levels. Favorable market conditions prompted PGE to increase its participation in the short-term wholesale marketplace.

Purchased power and fuel costs rose \$367 million, or 119%, due largely to increased wholesales sales volume. Energy purchases were up 79%, with prices averaging 16.2 mills compared to 13.8 mills for 1996. Increased winter gas prices followed by tight market conditions in the southwestern United States were the major contributors to the price increase. Company generation provided 16% of total power needs.

Operating expense (excluding purchased power, fuel, depreciation and taxes) were comparable to 1996.

Depreciation expense increased \$6 million or 5% due to recent capital additions to PGE's distribution system.

Amortization expense decreased \$13 million, due largely to the \$17 million amortization of the gain associated with termination of a power sales agreement in 1996; this was partially offset by the amortization of bondable conservation investments.

Other Income decreased due to loss provisions recorded for the future removal of non-utility property.

#### CASH FLOW

CASH PROVIDED BY OPERATIONS is used to meet the day-to-day cash requirements of PGE. Supplemental cash is obtained from external borrowings as needed.

PGE maintains varying levels of short-term debt, primarily in the form of commercial paper, which serves as the primary form of daily liquidity. In 1998, monthly balances ranged from \$96 million to \$167 million. PGE has committed borrowing facilities through July 2000 totaling \$200 million, which are used as backup for PGE's commercial paper facility.

A significant portion of cash provided by operations comes from depreciation and amortization of utility plant, charges which are recovered in customer revenues but require no current period cash outlay. Changes in accounts receivable and accounts payable can also be significant contributors or users of cash.

#### CAPITAL EXPENDITURES (\$ Millions)

1994	246
1995	234
1996	200
1997	180
1998	144

Decreased cash flow in 1998 was due to a significant reduction in accounts payable. In addition, 1997 includes a non-cash loss provision of \$24 million related to future costs associated with non-utility property (in "Other non-cash expenses") and deferred income taxes of \$48 million on a capital gain associated with the termination of the SCE Power Sales Agreement (in "Deferred income taxes"). "Other - net" includes a \$35 million net change in deferred charges and credits.

INVESTING ACTIVITIES consist primarily of improvements to PGE's distribution, transmission, and generation facilities, as well as continued energy efficiency program expenditures. Capital expenditures of \$144 million in 1998 were primarily for the expansion and upgrade of PGE's distribution system. Capital expenditures are expected to approximate \$200 million in 1999, including the \$37 million purchase of previously-leased combustion turbines at Beaver. Over the next few years, anticipated expenditures are expected to approximate current levels, with the majority of expenditures comprised of improvements to the Company's expanding distribution system to support the addition of new customers.

FINANCING ACTIVITIES provide supplemental cash for day-to-day operations and capital requirements as needed. PGE relies on commercial paper borrowings and cash from operations to manage its day-to-day financing requirements. In 1998, PGE issued long term debt maturing through 2033 and in turn redeemed \$142 million of its variable rate pollution control bonds. In addition, PGE repaid \$72 million in other long term debt, funded primarily through commercial paper borrowings. In April 1999, PGE plans to file a \$200 million shelf registration statement with the Securities and Exchange Commission for the purpose of issuing new long-term debt.

During 1998, PGE's dividend payments totaled \$51 million, consisting of common stock dividends of \$49 million paid to its parent and \$2 million in preferred stock dividends. In 1997, PGE's dividend payments totaled \$65 million, consisting of common stock dividends of \$46 million to public shareholders and \$17 million to its parent, and \$2 million in preferred stock dividends.

In September 1998, Moody's Investor Services reaffirmed PGE's debt ratings, with senior secured debt rated A2, and commercial paper rated P1. In November 1998, Standard & Poor's reaffirmed PGE's debt ratings, with senior secured debt rated A and commercial paper rated A-1. These ratings enable PGE to access public debt markets at favorable borrowing costs.

The issuance of additional First Mortgage Bonds and preferred stock requires PGE to meet earnings coverage and security provisions set forth in the Articles of Incorporation and the Indenture securing its First Mortgage Bonds. As of December 31, 1998, PGE had the capability to issue preferred stock and additional First Mortgage Bonds in amounts sufficient to meet its capital requirements.

## FINANCIAL AND OPERATING OUTLOOK

### PORTLAND GENERAL ELECTRIC COMPANY - ELECTRIC UTILITY

#### REGULATION AND COMPETITION

State  
Since the passage of the federal Energy Policy Act of 1992, various state utility commissions and legislatures have considered allowing retail customers direct access to generation suppliers, marketers, brokers and other service providers in a competitive marketplace for energy services (retail wheeling). A statement of principles for restructuring the electric utility industry was issued by Oregon's governor in 1996 that included access to electricity service at a reasonable price, the option of customers to choose their electricity provider, and the opportunity for utilities to recover the costs of previous commitments, including stranded costs.

In late 1997, PGE filed its "Customer Choice" proposal before the OPUC, designed to give all of its customers a choice of electricity providers as early as 1999. Under the proposal, PGE would become a regulated transmission and distribution company focused on delivering, but not selling, electricity. PGE would continue to operate and maintain the electricity delivery system and handle outage restoration, while other competitive companies would market power to customers over that system. To effect this restructuring, PGE asked for OPUC approval to sell all its generating assets, power supply and purchase contracts.

In conjunction with its proposal, PGE initiated the Customer Choice Introductory Program as a one-year pilot to test deregulation readiness by allowing certain PGE customers to buy their power from competing energy service providers. The program, approved by the OPUC, was made available to about 50,000 residential, small business and commercial customers in four cities and industrial customers throughout PGE's service territory. At its peak, over 8,700 - almost 17 percent of eligible retail customers - had selected from among eight participating energy service providers. The program terminated as scheduled on December 31, 1998, and all participating customers returned to PGE.

The Customer Choice Introductory Program provided valuable information to PGE, the OPUC, and legislators on the effects of retail competition on PGE and its customers. An extensive independent assessment of the program was completed and made available to interested parties, including the State Legislature. Such assessment indicated wide satisfaction by both customers and energy service providers, with lower prices and the ability to choose their electricity supplier cited as primary reasons for customer participation.

In July 1998, the OPUC staff issued its position on PGE's Customer Choice proposal, disagreeing with PGE's proposal for full implementation. On January 28, 1999, the OPUC issued an order recommending that PGE offer customers a limited set of options, including the ability to continue to purchase rate-regulated electricity; most commercial and industrial customers (those with demand exceeding 30 kW) would be able to choose their electricity provider through direct access. Although the order would allow PGE to sell its coal- and gas-fired generation plants, it rejected PGE's request to sell its hydroelectric assets. The Commission's order further requires PGE to refile a new rate case should it choose to adopt the plan recommended by the order, which is also contingent upon the adoption of certain statutory changes by the Oregon Legislature. Until such changes are made and agreed upon among all parties, PGE will not seek to implement either its Customer Choice proposal or the recent Commission order.

The issue of restructuring will be further addressed by the 1999 Oregon Legislature. PGE is reviewing the OPUC order and will support a deregulation plan that includes the following: 1) creation of a comprehensive approach to restructuring the electricity industry that benefits all customers; 2) development of a truly competitive market; 3) avoidance of cost shifts that benefit one group at the expense of another; 4) assurance that customers continue to receive benefits of federal hydropower; and, 5) implementation of a Systems Benefit Charge (SBC) to ensure adequate funds for public purpose investments (renewable energy projects, low-income weatherization, etc).

## Federal

The Energy Policy Act of 1992 (Energy Act) set the stage for change in federal regulations aimed at increasing wholesale competition in the electric industry. The Energy Act eased restrictions on independent power production and granted authority to the FERC to mandate open access for the wholesale transmission of electricity.

The FERC has taken steps to provide a framework for increased competition in the electric industry. In 1996 the FERC issued Order 888 requiring non-discriminatory open access transmission by all public utilities that own interstate transmission. The final rule requires utilities to file tariffs that offer others the same transmission services they provide themselves under comparable terms and conditions. This rule also allows public utilities to recover stranded costs in accordance with the terms, conditions and procedures set forth in Order 888. The ruling requires reciprocity from municipals, cooperatives and federal power marketers receiving service under the tariff. The new rules became effective in July 1996 and have resulted in increased competition, lower prices and more choices to wholesale energy customers.

Further legislation to restructure the electric industry, including retail choice, is under active consideration at the federal level. Congressional committee hearings on electricity restructuring are anticipated in 1999, although there remains considerable uncertainty regarding their ultimate outcome.

On July 16, 1998, PGE filed an application with the FERC to increase its rates for transmission service, in accordance with the terms of FERC Order 888 requiring open-access transmission by public utilities. Revised rates were implemented on February 11, 1999, with final settlement and filing on March 1, 1999.

## RETAIL CUSTOMER GROWTH AND ENERGY SALES

During 1998, weather adjusted retail energy sales grew 3.0%. Commercial and industrial sales increased by 3.8% and 2.7% respectively due to continued growth in most industry segments. The addition of over 19,000 customers resulted in residential sales growth of 2.4%. PGE forecasts retail energy sales growth of approximately 3% in 1999 and comparable growth in the next few years.

In January 1998, rates for PGE's residential and small farm customers increased 11.9% due to the Bonneville Power Administration's (BPA) elimination of the Residential Exchange Credit. PGE contested this decision and reached a new agreement with BPA in September 1998 that provides for a retail rate rollback to a net increase of 5.7%. Exchange benefits are passed directly to PGE's customers in the form of price decreases.

## WHOLESALE SALES

The availability of electric generating capability in the Western U.S., the entrance of numerous wholesale marketers and brokers into the market, and open access transmission are contributing to increasing competitive pressure on the price of power. In addition, the development of financial markets and NYMEX electricity contract trading has led to enhanced price discovery available for market participants, further adding to the downward pressure on wholesale prices and margins. During 1998, PGE's wholesale sales accounted for about 19% of total revenues and 38% of total energy sales. PGE will continue its participation in the wholesale marketplace in order to balance its supply of power to meet the needs of its retail customers, manage risk, and administer its current long-term wholesale contracts. Long-term wholesale trading activities have been transferred to a non-regulated Enron affiliate, which participates more fully in a broader market. PGE expects that its future revenues from wholesale activities will continue to decline.

## POWER & FUEL SUPPLY

PGE's base of hydro and thermal generating capacity, supplemented by its existing firm power contracts and the availability of competitively-priced wholesale energy within the region, provide the Company with the flexibility needed to respond to seasonal fluctuations in the demand for electricity within its service territory.

PGE has long-term power contracts with four hydro projects on the mid-Columbia River providing capability of 650 MW, and has also relied increasingly upon short-term purchases to meet its energy needs. The Company anticipates that an active wholesale market and a surplus of generating capacity within the WSCC should

provide sufficient wholesale energy available at competitive prices to supplement its generation and purchases under existing firm power contracts.

Though early forecasts indicate above-average water conditions for 1999, efforts to restore salmon runs on the Columbia and Snake rivers may somewhat reduce the amount of water available for generation, which could affect the availability and price of purchased power. Additional factors that could affect the availability and price of purchased power include weather conditions in the Northwest during winter months and in the Southwest during summer months, as well as the performance of major generating facilities in both regions.

During 1998, PGE generated approximately 37% of its total load requirement, compared to approximately 16% in 1997; short-term purchases were utilized to meet the remaining load. Purchases, which are expected to decline further in 1999, were also used to support PGE's wholesale sales activity.

On November 1, 1998, PGE signed a definitive agreement to sell its 20 percent interest in coal-fired generating units 3 and 4 of the Colstrip power plant, located in eastern Montana. The agreement, subject to both state and federal approval, would transfer ownership of PGE's 322 megawatt interest in the plant to PP&L Global, a subsidiary of PP&L Resources, for \$230.5 million. Regulatory approval of this agreement is expected to take about one year. It is not anticipated that the sale will have an adverse impact on the results of operations.

In February 1999, PGE elected to exercise its option to purchase the six combustion turbine generators at Beaver for their \$37 million fair market value. The generators, operated under terms of a 25-year lease expiring in August 1999, produce a net output of approximately 500 MW in combined-cycle configuration.

The lease of combustion turbine generators at Bethel terminated at the end of 1998.

**RESTORATION OF SALMON RUNS** - The populations of many salmon species in the Pacific Northwest have shown significant decline over the last several decades. A significant number of these species have either been granted or are being evaluated for protection under the federal Endangered Species Act (ESA). While long term recovery plans for these species may include major operational changes to the region's hydroelectric projects, including PGE's, the impacts to date have been minimal. The biggest change to date has been modifying the timing of the releases of water stored behind the dams in the upper part of the Columbia and Snake River basins. This change in water releases has resulted in decreased energy generation in the fall and winter. Favorable hydro conditions helped mitigate the effect of these actions in 1997 and 1998.

PGE continues to evaluate the impact of these listings on the operation of hydroelectric projects on the Deschutes, Sandy, Clackamas, and Willamette Rivers. The company foresees no further operational changes to its hydroelectric projects during 1999 as a result of recovery measures for endangered salmon.

#### HYDRO RELICENSING

**PGE HYDRO** - PGE's eight hydroelectric plants provide economical generation and flexible load following capabilities; in 1998, they produced 2.6 million MWh of renewable energy, about 9% of PGE's total load. The plants operate under federal licenses, which will be up for renewal between the years 2001 and 2006. PGE continued the relicensing process for its 408-MW Pelton Round Butte Project throughout 1998, culminating with issuance of a draft license application in December. The Confederated Tribes of Warm Springs, currently the licensee for a powerhouse located at the reregulating dam (one of three dams within the Pelton Round-Butte Project), also proceeded with their competing relicensing process for the entire project. Several meetings with federal and state agencies, as well as members of the public and non-governmental organizations, were conducted during the year in support of relicensing PGE's hydroelectric projects on the Clackamas, Sandy, and Willamette rivers; licenses on these plants, with combined generating capacity of 203 MW, expire in 2004 and 2006. Should relicensing not be completed prior to the expiration of the original license, it is anticipated that PGE will be issued annual licenses at substantially identical terms and conditions until such time as final relicensing has been completed.

The relicensing process includes the involvement of numerous interested parties such as governmental agencies, public interest groups and communities, with much of the focus on environmental concerns. PGE has already

performed many pre-filing activities, including numerous public meetings with such groups. The cost of relicensing includes legal and filing fees as well as the cost of environmental studies, possible fish passage measures, and wildlife habitat enhancements. Relicensing cost may be a significant factor in determining whether a project remains cost-effective after a new license is obtained, especially for smaller projects. Although the FERC has rarely denied an application and has never issued a license to anyone other than the incumbent licensee, there is no assurance that new licenses will be granted to PGE.

Refer to Item 3. Legal Proceedings for additional information.

MID-COLUMBIA HYDRO - PGE's long-term power purchase contracts with certain public utility districts in the state of Washington expire between 2005 and 2018. Certain Idaho Electric Utility Co-operatives have initiated proceedings with the FERC seeking to change the allocation of generation from the Priest Rapids and Wanapum dams between electric utilities in the region upon expiration of the current contracts. In early 1998, the FERC ruled that the portion of the output from these dams made available to purchasers such as PGE be reduced to 30%, and that such purchases be at market-based rather than cost-based prices. This decision could change both PGE's percentage share and the price of power from these facilities, although such changes are not yet determinable. This matter is now on appeal to the Circuit Court of Appeals.

For further information regarding the power purchase contracts on the mid-Columbia dams, including Priest Rapids and Wanapum, see Note 7, Commitments, in the Notes to Financial Statements.

#### NUCLEAR DECOMMISSIONING

PGE currently estimates the total cost to decommission Trojan at \$339 million (nominal dollars), with approximately \$73 million expended through 1998. The total estimate assumes that the majority of decommissioning activities will be completed by 2002, after the spent fuel has been transferred to a temporary dry spent fuel storage facility. The plan anticipates final site restoration activities will begin in 2018 after PGE completes shipment of spent fuel to a USDOE facility (see Note 11, Trojan Nuclear Plant, for further discussion of the decommissioning plan and other Trojan issues).

In 1998 PGE continued to make progress in decommissioning Trojan. Over 68 thousand cubic feet of contaminated equipment and material were removed, packaged, and shipped to the disposal site. Also in 1998, Trojan received regulatory approval to ship and dispose of the Trojan reactor vessel as a single package, called the Reactor Vessel And Internals Removal Project. This precedent-setting project will save millions of dollars from the conventional segmentation approach. In 1999, PGE will continue moving forward on this project.

PGE expects remaining transition activities to be completed in 1999, with total costs estimated at \$8 million paid from current operating funds. Transition activities are comprised of operating and maintaining the spent fuel pool and securing the plant until fuel is transferred to dry storage as part of the Independent Spent Fuel Storage Installation (ISFSI) project. Equipment removal and disposal activities will also continue. PGE anticipates total 1999 decommissioning costs of approximately \$59 million, compared to about \$30 million in 1998.

These efforts position PGE to safely dispose of all radiological hazards, other than spent nuclear fuel, on the Trojan site and to initiate a final radiation survey to prove these hazards are no longer present. Decommissioning is proceeding on schedule and within approved cost estimates. PGE expects the final site survey to be completed by the end of 2002.

#### YEAR 2000

The Year 2000 problem results from the use in computer hardware and software of two digits rather than four digits to define the applicable year. The use of two digits was a common practice for decades when computer storage and processing was much more expensive than today. When computer systems must process dates both before and after January 1, 2000, two-digit year "fields" may create processing ambiguities that can cause errors and system failures. For example, computer programs that have date-sensitive features may recognize a date represented by "00" as the year 1900, instead of 2000. These errors or failures may have limited effects, or the effects may be widespread, depending on the computer chip, system or software, and its location and function.

The effects of the Year 2000 problem are exacerbated because of the interdependence of computer and telecommunications systems in the United States and throughout the world. This interdependence certainly is true for PGE and PGE's suppliers, trading partners, and customers.

## STATE OF READINESS

PGE's Board of Directors has adopted the Enron Year 2000 plan (the "Plan"), which covers all of PGE's and other Enron subsidiaries' activities. The aim of the plan is to take reasonable steps to prevent Enron's mission-critical functions from being impaired due to the Year 2000 problem. "Mission-critical" functions are those critical functions whose loss would cause an immediate stoppage of or significant impairment to major business areas (a major business area is one of material importance to Enron's business).

PGE's Year 2000 plan has been assigned to a centralized staff under the direction of a Year 2000 Project Manager, who coordinates the implementation of the Plan within all affected areas of the company. PGE has also engaged outside consultants, technicians and other external resources to aid in implementing the Plan.

PGE is implementing the Plan, which will be modified as events warrant. Under the Plan, PGE will continue to inventory its mission-critical computer hardware and software systems and embedded chips (computer chips with date-related functions, contained in a wide variety of devices); assess the effects of Year 2000 problems on the mission-critical functions of PGE's business; remedy systems, software and embedded chips in an effort to avoid material disruptions or other material adverse effects on mission-critical functions, processes and systems; verify and test the mission-critical systems to which remediation efforts have been applied; and attempt to mitigate those mission-critical aspects of the Year 2000 problem that are not remediated by January 1, 2000, including the development of contingency plans to cope with the mission-critical consequences of Year 2000 problems that have not been identified or remediated by that date.

The Plan recognizes that the computer, telecommunications, and other systems ("Outside Systems") of outside entities ("Outside Entities") have the potential for major, mission-critical, adverse effects on the conduct of PGE's business. PGE does not have control of these Outside Entities or Outside Systems. However, the Plan includes an ongoing process of identifying and contacting Outside Entities whose systems in PGE's judgment have, or may have, a substantial effect on PGE's ability to continue to conduct the mission-critical aspects of its business without disruption from Year 2000 problems. The Plan envisions PGE's attempting to inventory and assess the extent to which these Outside Systems may not be "Year 2000 ready" or "Year 2000 compatible." PGE will attempt reasonably to coordinate with these Outside Entities in an ongoing effort to obtain assurance that the Outside Systems that are mission-critical to PGE will be Year 2000 compatible well before January 1, 2000. Consequently, PGE will work prudently with Outside Entities in a reasonable attempt to inventory, assess, analyze, convert (where necessary), test, and develop contingency plans for PGE's connections to these mission-critical Outside Systems and to ascertain the extent to which they are, or can be made to be, Year 2000 ready and compatible with PGE's mission-critical systems.

It is important to recognize that the processes of inventorying, assessing, analyzing, converting (where necessary), testing, and developing contingency plans for mission-critical items in anticipation of the Year 2000 event are necessarily iterative processes. That is, the steps are repeated as PGE learns more about the Year 2000 problem and its effects on PGE's internal systems and on Outside Systems, and about the effects that embedded chips may have on PGE's systems and Outside Systems. As the steps are repeated, it is likely that new problems will be identified and addressed. PGE anticipates that it will continue with these processes through January 1, 2000 and, if necessary based on experience, into the Year 2000 in order to assess and remediate problems that reasonably can be identified only after the start of the new century.

As of March 1999, PGE is at various stages in implementation of the Plan, as shown in the following table, which lists the status of both mission-critical internal systems (including embedded chips) and Outside Systems. Any notation of "complete" or reference to a "completion date" conveys the fact only that the initial iteration of this phase has been substantially completed. PGE will continue closely to monitor work under the Plan and to revise estimated completion dates for the initial iteration of each listed process.

YEAR 2000 READINESS PLAN

	MISSION-CRITICAL	INTERNAL ITEMS	MISSION-CRITICAL	OUTSIDE ENTITIES
	STATUS	COMPLETION DATE	STATUS	COMPLETION DATE*
Inventory	Complete	December 1997	Complete	October 1998
Assessment	Complete	October 1998	Complete	November 1998
Analysis	Complete	October 1998	Complete	November 1998
Conversion	In Process	June 1999	In Process	June 1999
Testing	In Process	June 1999	In Process	June 1999
Y2K-Ready	In Process	June 1999	In Process	June 1999
Contingency Plan	In Process	June 1999	In Process	June 1999

\* The June 1999 completion date for Mission-Critical Outside Entities conveys only the date when PGE anticipates it will have evaluated the progress of Outside Entities with respect to Conversion, Testing, Y2K-Ready, and Contingency Plans.

COSTS TO ADDRESS YEAR 2000 ISSUES

Under the Plan, PGE currently estimates that it will spend approximately \$20-25 million relating to Year 2000 issues, about one-third of which has been spent to date; 1999 expenditures are currently estimated at approximately \$15 million. Most costs incurred to address the Year 2000 issue are charged to operating expenses as incurred and are expected to be funded by cash provided by operations. PGE anticipates that its costs relating to Year 2000 issues will not have a material adverse effect on its financial condition or results of operations.

Although management believes that its estimates are reasonable, there can be no assurance, for the reasons stated in the "Outlook" section, below, that the actual costs of implementing the plan will not differ materially from the estimated costs or that PGE will not be materially adversely affected by Year 2000 issues.

YEAR 2000 RISK FACTORS

REGULATORY REQUIREMENTS - PGE expects to satisfy all requirements of regulatory authorities for achieving Year 2000 readiness. If its reasonable expectations in this regard are in error, the adverse effect on PGE could be material. Outside Entities could force temporary cessation of operations that materially adversely affect PGE.

SHORTAGE OF RESOURCES - Between now and 2000 there will be increased competition for people skilled in the technical and managerial skills necessary to deal with the Year 2000 problem. While PGE is taking substantial precautions to recruit and retain sufficient people skilled in dealing with the Year 2000 problem and has hired consultants who bring additional skilled people to deal with the Year 2000 problem as it affects PGE, PGE could face shortages of skilled personnel or other resources, such as Year 2000 ready computer chips, and these shortages might delay or otherwise impair PGE's ability to assure that its mission-critical systems are Year 2000 ready. Outside Entities could force temporary cessation of operations that materially adversely affect PGE. PGE believes that the possible import of the shortage of skilled people is not, and will not be, unique to PGE.

POTENTIAL SHORTCOMING - PGE estimates that its mission-critical systems will be Year 2000-ready substantially before January 1, 2000. However, there is no assurance that the Plan will succeed in accomplishing its purposes or that unforeseen circumstances will not arise during implementation of the Plan that would materially and adversely affect PGE.

CASCADING EFFECT - PGE is taking reasonable steps to identify, assess, and where appropriate, replace devices that contain embedded chips. Despite these reasonable efforts, there is no assurance that PGE will be able to find and remediate all embedded chips in its systems. Further, there is no assurance that Outside Entities on

which PGE depends will be able to find and remediate all embedded chips in their systems. Some of the embedded chips that fail to operate or that produce anomalous results may create system disruptions or failures. Some of these disruptions or failures may spread from the systems in which they are located to other systems in a cascade. These cascading failures may have adverse effects upon PGE's ability to maintain safe operations and may also have adverse effects upon PGE's ability to serve its customers and otherwise to fulfill certain contractual and other legal obligations. The embedded chip problem is widely recognized as one of the more difficult aspects of the Year 2000 problem across industries and throughout the world. PGE believes that the possible adverse impact of the embedded chip problem is not, and will not be, unique to PGE.

THIRD PARTIES - PGE cannot assure that suppliers upon which it depends for essential goods and services will convert and test their mission-critical systems and processes in a timely manner. Failure or delay by all or some of these entities, including U.S. federal, state or local governments, could create substantial disruptions having a material adverse effect on PGE's business.

#### CONTINGENCY PLANS

As part of the Plan, PGE is developing contingency plans that deal with two aspects of the Year 2000 problem: (1) that PGE, despite its good-faith, reasonable efforts, may not have satisfactorily remediated all of its internal mission-critical systems; and (2) that Outside Systems may not be Year 2000 ready, despite PGE's good-faith, reasonable efforts to work with Outside Entities. PGE's contingency plans are being designed to minimize the disruptions or other adverse effects resulting from Year 2000 incompatibilities regarding these mission-critical functions or systems, and to facilitate the early identification and remediation of mission-critical Year 2000 problems that first manifest themselves after January 1, 2000.

PGE's contingency plans will contemplate an assessment of all its mission-critical internal information technology systems and its internal operational systems that use computer-based controls. This process will commence in the early minutes of January 1, 2000, and continue for hours, days, or weeks as circumstances require. Further, PGE will in that time frame assess any mission-critical disruptions due to Year 2000-related failures that are external to PGE. The assessment process will cover, for example, loss of electrical power from other utilities; telecommunications services from carriers; or building access, security, or elevator service in facilities occupied by PGE.

PGE plans to file with the Western Systems Coordinating Council by June 15, 1999 its contingency plan related to Mission-Critical Internal Systems (including embedded chips) and Outside Systems. PGE plans to perform additional contingency planning relating to other systems both before and after its June 15, 1999 filing.

PGE's contingency plans will include the creation of teams that will be standing by on the eve of the new millennium, prepared to respond rapidly and otherwise as necessary to mission-critical Year 2000-related problems as soon as they become known. The composition of teams that are assigned to deal with Year 2000 problems will vary according to the nature, mission-criticality, and location of the problem.

#### WORST CASE SCENARIO

The Securities and Exchange Commission requires that companies must forecast the most reasonably likely worst case Year 2000 scenario. Analysis of the most reasonably likely worst case Year 2000 scenarios PGE may face leads to contemplation of the following possibilities which, though unlikely in some or many cases, must be included in any consideration of worst cases: widespread failure of electrical, gas, and similar supplies by utilities serving PGE; widespread disruption of the services of communications common carriers; similar disruption to means and modes of transportation for PGE and its employees, contractors, suppliers, and customers; significant disruption to PGE's ability to gain access to, and remain working in, office buildings and other facilities; the failure of substantial numbers of PGE's mission-critical information (computer) hardware and software systems, including both internal business systems and systems (such as those with embedded chips) controlling operational facilities such as electrical generation, transmission, and distribution systems; and the failure of Outside Systems, the effects of which would have a cumulative material adverse impact on PGE's mission-critical systems. Among other things, PGE could face substantial claims by customers or loss of revenues due to service interruptions, inability to fulfill contractual obligations, inability to account for

certain revenues or obligations or to bill customers accurately and on a timely basis, and increased expenses associated with litigation, stabilization of operations following mission-critical failures, and the execution of contingency plans. PGE could also experience an inability by customers, traders, and others to pay, on a timely basis or at all, obligations owed to PGE. Under these circumstances, the adverse effect on PGE, and the diminution of PGE's revenues, would be material, although not quantifiable at this time. Further in this scenario, the cumulative effect of these failures could have a substantial adverse effect on the economy, domestically and internationally. The adverse effect on PGE, and the diminution of its revenues, from a domestic or global recession or depression also is likely to be material, although not quantifiable at this time.

PGE will continue to monitor business conditions with the aim of assessing and quantifying material adverse effects, if any, that result from the Year 2000 problem.

#### SUMMARY

PGE has a Plan to deal with the Year 2000 challenge and believes that it will be able to achieve substantial Year 2000 readiness with respect to the mission critical systems that it controls. From a forward-looking perspective, the extent and magnitude of the Year 2000 problem as it will affect PGE, both before and for some period after January 1, 2000, are difficult to predict or quantify for a number of reasons. Among these are: the difficulty of locating "embedded" chips that may be in a great variety of mission-critical hardware used for process or flow control, environmental, transportation, access, communications and other systems; the difficulty of inventorying, assessing, remediating, verifying and testing Outside Systems; the difficulty in locating all mission-critical software (computer code) internal to PGE that is not Year 2000 compatible; and the unavailability of certain necessary internal or external resources, including but not limited to trained hardware and software engineers, technicians and other personnel to perform adequate remediation, verification and testing of PGE systems or Outside Systems. Accordingly, there can be no assurance that all of PGE's systems and all Outside Systems will be adequately remediated so that they are Year 2000 ready by January 1, 2000, or by some earlier date, so as not to create a material disruption to PGE's business. If, despite PGE's reasonable efforts under the Plan, there are mission-critical Year 2000-related failures that create substantial disruptions to PGE's business, the adverse impact on PGE's business could be material. Additionally, Year 2000 costs are difficult to estimate accurately because of unanticipated vendor delays, technical difficulties, the impact of tests of Outside Systems and similar events. Moreover, the estimated costs of implementing the Plan do not take into account the costs, if any, that might be incurred as a result of Year 2000-related failures that occur despite PGE's implementation of the Plan.

#### NEW ACCOUNTING STANDARDS

In 1998, the AICPA issued Statement of Position 98-1 (SOP 98-1), "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use", and Statement of Position 98-5 (SOP 98-5), "Reporting on the Costs of Start-Up Activities". Also in 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", and the Emerging Issues Task Force reached a consensus on Issue No. 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities". PGE has analyzed the potential effects of the application of SOP 98-1 and SOP 98-5 in 1999 and has determined that their application will not have a material effect on its financial position or results of operations for the year.

SFAS No. 133, to be effective January 1, 2000, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. PGE has not yet quantified the impacts of adopting SFAS No. 133 on its financial statements and has not determined the method of its adoption of SFAS No. 133 nor the effect on the accounting for its hedging activities or physical contracts.

EITF 98-10 is effective for fiscal years beginning after December 15, 1998 and requires energy trading contracts to be recorded at fair value on the balance sheet, with any changes in fair value included in earnings. The effect of initial application of EITF 98-10 will be reported as a cumulative effect of a change in accounting principle. Because an insignificant portion of PGE's electricity trades are entered into for trading purposes, PGE believes that the adoption of EITF 98-10 will not have a materially adverse impact on its financial position or results of operations.

#### INFORMATION REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Although PGE believes that its expectations are based on reasonable assumptions, it can give no assurance that its goals will be achieved. Important factors that could cause actual results to differ materially from those in the forward looking statements herein include political developments affecting federal and state regulatory agencies, the pace of electric industry deregulation in Oregon and in the United States, environmental regulations, changes in the cost of power, adverse weather conditions, and the effects of the Year 2000 date change during the periods covered by the forward looking statements.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The following financial statements of Portland General Electric Company and subsidiaries (collectively, PGE) were prepared by management, which is responsible for their integrity and objectivity. The statements have been prepared in conformity with generally accepted accounting principles and necessarily include some amounts that are based on the best estimates and judgments of management.

The system of internal controls of PGE is designed to provide reasonable assurance as to the reliability of financial statements and the protection of assets from unauthorized acquisition, use or disposition. This system is augmented by written policies and guidelines and the careful selection and training of qualified personnel. It should be recognized, however, that there are inherent limitations in the effectiveness of any system of internal control. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to the preparation of reliable financial statements and safeguarding of assets. Further, because of changes in conditions, internal control system effectiveness may vary over time.

PGE assessed its internal control system as of December 31, 1998, 1997 and 1996, relative to current standards of control criteria. Based upon this assessment, management believes that its system of internal controls was adequate during the periods to provide reasonable assurance as to the reliability of financial statements and the protection of assets against unauthorized acquisition, use or disposition.

Arthur Andersen LLP was engaged to audit the financial statements of PGE and issue reports thereon. Their audits included developing an overall understanding of PGE's accounting systems, procedures and internal controls and conducting tests and other auditing procedures sufficient to support their opinion on the financial statements. Arthur Andersen LLP was also engaged to examine and report on management's assertion about the effectiveness of PGE's system of internal controls over financial reporting and the protection of assets against unauthorized acquisition, use or disposition. The Reports of Independent Public Accountants appear in this Annual Report.

The adequacy of PGE's financial controls and the accounting principles employed in financial reporting are under the general oversight of the Audit Committee of Enron's Board of Directors. No member of this committee is an officer or employee of Enron or PGE. The independent public accountants have direct access to the Audit Committee, and they meet with the committee from time to time, with and without financial management present, to discuss accounting, auditing and financial reporting matters.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholder of  
Portland General Electric Company:

We have examined management's assertion that the system of internal control of Portland General Electric Company and its subsidiaries as of December 31, 1998, was adequate to provide reasonable assurance as to the reliability of financial statements and the protection of assets against unauthorized acquisition, use or disposition, included in the accompanying report on Management's Responsibility for Financial Reporting.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the system of internal control over financial reporting and the protection of assets against unauthorized acquisition, use or disposition, testing and evaluating the design and operating effectiveness of the system of internal control and such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the system of internal control to future periods are subject to the risk that the system of internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that the system of internal control of Portland General Electric Company and its subsidiaries as of December 31, 1998, was adequate to provide reasonable assurance as to the reliability of financial statements and the protection of assets against unauthorized acquisition, use or disposition is fairly stated, in all material respects, based upon current standards of control criteria.

Arthur Andersen LLP

Portland, Oregon  
March 5, 1999

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholder of  
Portland General Electric Company:

We have audited the accompanying consolidated balance sheets of Portland General Electric Company (an Oregon corporation), and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Portland General Electric Company and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Portland, Oregon,  
March 5, 1999

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

PORTLAND GENERAL ELECTRIC COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31	1998	1997	1996
	(MILLIONS OF DOLLARS)		
Operating Revenues	\$ 1,176	\$ 1,416	\$ 1,110
Operating Expenses			
Purchased power and fuel	441	675	308
Production and distribution	134	132	138
Administrative and other	114	107	104
Depreciation and amortization	149	155	162
Taxes other than income taxes	57	56	52
Income taxes	81	83	116
	976	1,208	880
Net Operating Income	200	208	230
Other Income (Deductions)			
Miscellaneous	13	(21)	(3)
Income taxes	(1)	13	5
	12	(8)	2
Interest Charges			
Interest on long-term debt and other	68	69	67
Interest on short-term borrowings	7	5	9
	75	74	76
Net Income	137	126	156
Preferred Dividend Requirement	2	2	3
Income Available for Common Stock	\$ 135	\$ 124	\$ 153

Portland General Electric Company and Subsidiaries  
Consolidated Statements of Retained Earnings

For the Years Ended December 31	1998	1997	1996
	(MILLIONS OF DOLLARS)		
Balance at Beginning of Year	\$ 270	\$ 292	\$ 246
Net Income	137	126	156
Miscellaneous	0	(2)	(2)
	407	416	400
Dividends Declared			
Common stock - cash	49	47	105
Common stock - property	0	97	0
Preferred stock	2	2	3
	51	146	108
Balance at End of Year	\$ 356	\$ 270	\$ 292

The accompanying notes are an integral part of these consolidated financial statements.

PORTLAND GENERAL ELECTRIC COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31

1998

1997

(MILLIONS OF DOLLARS)

ASSETS

ELECTRIC UTILITY PLANT - ORIGINAL COST

Utility plant (includes Construction Work in Progress of \$35 and \$27)

Accumulated depreciation

\$ 3,182  
(1,363)  
1,819

\$ 3,078  
(1,260)  
1,818

OTHER PROPERTY AND INVESTMENTS

Contract termination receivable

Receivable from parent

Nuclear decommissioning trust, at market value

Corporate Owned Life Insurance, less loans of

\$32 and \$30

Miscellaneous

95  
97  
72  
63

104  
106  
84  
58

15  
342

17  
369

CURRENT ASSETS

Cash and cash equivalents

Accounts and notes receivable

Unbilled and accrued revenues

Inventories, at average cost

Prepayments and other

4  
135  
45  
28  
31  
243

3  
125  
46  
30  
21  
225

DEFERRED CHARGES

Unamortized regulatory assets

Miscellaneous

731  
27  
758

819  
25  
844

\$ 3,162

\$ 3,256

CAPITALIZATION AND LIABILITIES

CAPITALIZATION

Common stock equity

Common stock, \$3.75 par value per share,  
100,000,000 shares authorized,

42,758,877 shares outstanding

Other paid-in capital - net

Retained earnings

Cumulative preferred stock

Subject to mandatory redemption

Long-term obligations

\$ 160  
480  
356  
30  
951  
1,977

\$ 160  
480  
270  
30  
1,008  
1,948

CURRENT LIABILITIES

Accounts payable and other accruals

Accrued interest

Dividends payable

Accrued taxes

145  
11  
1  
35  
192

167  
11  
1  
63  
242

OTHER

Deferred income taxes

Deferred investment tax credits

Trojan decommissioning and transition costs

Unamortized regulatory liabilities

Miscellaneous

351  
39  
274  
237  
92  
993  
\$ 3,162

363  
43  
313  
258  
89  
1,066  
\$ 3,256

The accompanying notes are an integral part of these consolidated financial statements.

PORTLAND GENERAL ELECTRIC COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOW

For the Years Ended December 31

1998

1997

1996

(MILLIONS OF DOLLARS)

Cash flows from Operating Activities:

Reconciliation of net income to net cash provided by  
(used in) operating activities

Net Income	\$ 137	\$ 126	\$ 156
Non-cash items included in net income:			
Depreciation and amortization	149	155	162
Deferred income taxes	(5)	(58)	(9)
Other non-cash expenses	0	24	0
Changes in working capital:			
(Increase) Decrease in receivables	(8)	27	(32)
Increase (Decrease) in payables	(47)	51	38
Other working capital items - net	(4)	(1)	4
Other - net	43	35	50
Net Cash Provided by Operating Activities	265	359	369
Cash flows from Investing Activities:			
Capital expenditures	(144)	(180)	(200)
Other - net	(4)	(28)	(21)
Net Cash Used in Investing Activities	(148)	(208)	(221)
Cash Flows from Financing Activities:			
Repayment of long-term debt	(214)	(115)	(176)
Issuance of long-term debt	148	8	171
Retirement of preferred stock	0	0	(20)
Dividends paid	(51)	(65)	(106)
Other - net	1	5	0
Net Cash Used in Financing Activities	(116)	(167)	(131)
Increase (Decrease) in Cash and Cash Equivalents	1	(16)	17
Cash and Cash Equivalents, the Beginning of Year	3	19	2
Cash and Cash Equivalents, End of Year	\$ 4	\$ 3	\$ 19
Supplemental disclosures of cash flow information			
Cash paid during the year:			
Interest, net of amounts capitalized	\$ 63	\$ 71	\$ 73
Income taxes	133	96	108

The accompanying notes are an integral part of these consolidated financial statements.

PORTLAND GENERAL ELECTRIC COMPANY AND SUBSIDIARIES NOTES TO FINANCIAL STATEMENTS

NATURE OF OPERATIONS

On July 1, 1997 Portland General Corporation (PGC), the former parent of PGE, merged with Enron Corp. (Enron) with Enron continuing in existence as the surviving corporation. PGE is now a wholly owned subsidiary of Enron and subject to control by the Board of Directors of Enron. PGE is engaged in the generation, purchase, transmission, distribution, and sale of electricity in the State of Oregon. PGE also sells energy to wholesale customers, predominately utilities, marketers and brokers throughout the western United States. PGE's Oregon service area is 3,170 square miles, including 54 incorporated cities, of which Portland and Salem are the largest, within a state-approved service area allocation of 4,070 square miles. At the end of 1998, PGE's service area population was approximately 1.5 million, constituting approximately 44% of the state's population and serving approximately 704,000 customers.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION PRINCIPLES

The consolidated financial statements include the accounts of PGE and its majority-owned subsidiaries. Intercompany balances and transactions have been eliminated.

BASIS OF ACCOUNTING

PGE and its subsidiaries' financial statements conform to generally accepted accounting principles. In addition, PGE's accounting policies are in accordance with the requirements and the rate making practices of regulatory authorities having jurisdiction. PGE's consolidated financial statements do not reflect an allocation of the purchase price that was recorded by Enron as a result of the PGC merger.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATIONS

Certain amounts in prior years have been reclassified for comparative purposes.

REVENUES

PGE accrues estimated unbilled revenues for services provided from the meter read date to month-end.

PURCHASED POWER

PGE credits purchased power costs for the benefits received through a power purchase and sale contract with the BPA. Reductions in purchased power costs that result from this exchange are passed directly to PGE's residential and small farm customers in the form of lower prices. PGE and the BPA reached a new agreement in September 1998 which will continue to provide benefits to PGE's residential and small farm customers through at least June 30, 2001.

DEPRECIATION

PGE's depreciation is computed on the straight-line method based on the estimated average service lives of the various classes of plant in service. Depreciation expense as a percent of the related average depreciable plant in service was approximately 4.3% in 1998, 1997 and 1996.

The cost of renewal and replacement of property units is charged to plant, while repairs and maintenance costs are charged to expense as incurred. The cost of utility property units retired, other than land, is charged to accumulated depreciation.

PGE's capital leases are amortized over the life of the lease. As of December 31, 1998 and 1997, accumulated amortization for capital leases totaled \$28 million and \$33 million, respectively.

#### ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFDC)

AFDC represents the pre tax cost of borrowed funds used for construction purposes and a reasonable rate for equity funds. AFDC is capitalized as part of the cost of plant and is credited to income but does not represent current cash earnings. The average rate used by PGE was 5.5%.

#### INCOME TAXES

PGE's federal income taxes are a part of its parent company's consolidated federal income tax return. PGE pays for its tax liabilities when it generates taxable income and is reimbursed for its tax benefits by the parent company on a stand-alone basis. Deferred income taxes are provided for temporary differences between financial and income tax reporting. Amounts recorded for Investment Tax Credits (ITC) have been deferred and are being amortized to income over the approximate lives of the related properties, not to exceed 25 years. See Note 3, Income Taxes, for more details.

#### CASH AND CASH EQUIVALENTS

Highly liquid investments with original maturities of three months or less are classified as cash equivalents.

#### DERIVATIVE FINANCIAL INSTRUMENTS

PGE uses financial instruments to hedge against exposure to interest rate risks. The objective of PGE's hedging program is to mitigate risks due to market fluctuations associated with external financings. Gains and losses on financial instruments that reduce interest rate risk of future debt issuances are deferred and amortized over the life of the related debt as an adjustment to interest expense.

#### REGULATORY ASSETS AND LIABILITIES

The Company is subject to the provisions of Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation". When the requirements of SFAS No. 71 are met, PGE defers certain costs which would otherwise be charged to expense if it is probable that future prices will permit recovery of such costs. In addition, PGE defers certain revenues, gains, or cost reductions which would normally be reflected in income but through the rate making process ultimately will be refunded to customers. Regulatory assets and liabilities reflected as deferred charges and other liabilities in the financial statements are amortized over the period in which they are included in billings to customers.

Amounts in the Consolidated Balance Sheets as of December 31 relate to the following:

	1998	1997
	(millions of dollars)	
Regulatory Assets		
Trojan-related	\$438	\$488
Income taxes recoverable	165	174
Debt reacquisition and other	44	47
Conservation investments - secured	64	72
Energy efficiency programs	21	19
Regional Power Act	(1)	19
Total Regulatory Assets	\$731	\$819
Regulatory Liabilities		
Deferred gain on SCE termination	\$92	\$103
Merger payment obligation	96	103
Miscellaneous	49	52
Total Regulatory Liabilities	237	\$ 258

As of December 31, 1998, a majority of the Company's regulatory assets and liabilities are being reflected in rates charged to customers. Based on rates in place at year-end 1998, the Company estimates that it will collect substantially all of its regulatory assets within the next 13 years.

**CONSERVATION INVESTMENTS - SECURED** - In 1996, \$81 million of PGE's energy efficiency investment was designated as Bondable Conservation Investment upon PGE's issuance of 10-year 6.91% Conservation Bonds collateralized by OPUC-assured future revenues. These bonds provide savings to customers while granting PGE immediate recovery of its prior energy efficiency program expenditures. Revenues collected from customers fund the debt service obligation on the conservation bonds. At December 31, 1998, the outstanding balance on the bonds was \$68 million.

**DEFERRED GAIN ON SCE TERMINATION** - In 1996, PGE and SCE entered into a termination agreement for the Power Sales Agreement between the two companies. The agreement requires that SCE pay PGE \$141 million over 6 years (\$15 million per year in 1997 through 1999 and \$32 million per year in 2000 through 2002). The gain is being recognized in income consistent with current rate making treatment.

**MERGER PAYMENT OBLIGATION** - Pursuant to the Enron/PGC merger agreement, PGE customers are guaranteed \$105 million in compensation and benefits, payable over an eight-year period, in the form of reduced prices. These benefits are being paid by Enron, received by PGE, and passed on to PGE's retail customers.

#### **TRANSACTIONS WITH RELATED PARTIES**

As part of its ongoing operations, PGE receives management services from Enron and provides incidental services to Enron and its affiliated companies. In 1998, approximately \$12 million was paid to Enron for allocated overhead costs, including PGE's \$5 million share of the Employee Stock Option Plan.

## NOTE 2 - EMPLOYEE BENEFITS

## PENSION PLAN

PGE participates in a non-contributory defined benefit pension plan (the Plan) with other affiliated companies. Substantially all of the plan members are current or former PGE employees. The Plan's assets are held in a trust. The following tables provide a reconciliation of the changes in the plan's benefit obligation, fair value of plan assets, a statement of the funded status, and components of net periodic pension expense (in millions):

	1998	1997
Reconciliation of benefit obligation:		
Obligation at January 1	\$ 240	\$ 222
Service cost	7	6
Interest cost	17	17
Actuarial loss	17	5
Benefit payments	(12)	(10)
Obligation at December 31	\$ 269	\$ 240
Reconciliation of fair value of plan assets		
Fair value of plan assets at January 1	\$ 375	\$ 315
Actual return on plan assets	38	71
Benefit payments	(12)	(11)
Fair value of plan assets at December 31	\$ 401	\$ 375
Funded status		
Funded status at December 31	\$ 132	\$ 135
Unrecognized transition (asset)	(12)	(14)
Unrecognized prior service cost	9	11
Unrecognized (gain)	(117)	(128)
Prepaid Pension Cost	\$ 12	\$ 4

	1998	1997
ASSUMPTIONS:		
Discount rate used to calculate PBO	6.75%	7.25%
Rate of increase in future compensation levels	5.25	5.25
Long-term rate of return on assets	9.00	9.00

## COMPONENTS OF NET PERIODIC PENSION EXPENSE:

Service cost	\$ 7	\$ 6
Interest cost on PBO	17	17
Expected return on plan assets	(28)	(25)
Amortization of Transition Asset	(2)	(2)
Amortization of Prior Service Cost	1	1
Recognized (gain)	(3)	(2)
Net periodic pension (benefit)	\$ (8)	\$ (5)

#### OTHER POST-RETIREMENT BENEFIT PLANS

PGE accrues for health, medical and life insurance costs during the employees' service years, in accordance with SFAS No. 106 ("Employers' Accounting for Post Retirement Benefits Other than Pensions"). Employees are covered under a Defined Dollar Medical Benefit Plan which limits PGE's obligation by establishing a maximum contribution per employee. The accumulated benefit obligation for post-retirement health and life insurance benefits at December 31, 1998, was \$29 million, for which there were \$33 million of assets held in trust.

PGE also provides senior officers with additional benefits under an unfunded Supplemental Executive Retirement Plan (SERP). Projected benefit obligations for the SERP are \$13 million and \$12 million at December 31, 1998 and 1997, respectively.

#### DEFERRED COMPENSATION

PGE provides certain employees with benefits under an unfunded Management Deferred Compensation Plan (MDCP). Obligations for the MDCP were \$30 million and \$26 million at December 31, 1998 and 1997, respectively.

#### EMPLOYEE STOCK OWNERSHIP PLAN

PGE participates in an Employee Stock Ownership Plan (ESOP) which is a part of its 401(k) retirement savings plan. One-half of employee contributions up to 6% of base pay are matched by employer contributions in the form of ESOP common stock. Shares of common stock to be used to match contributions by PGE employees are purchased from Enron at current market prices.

#### ALL EMPLOYEE STOCK OPTION PLAN

Enron granted stock options to PGE employees on December 31, 1997. The options were granted at the fair value of the stock at the date of the grant. One-third of the options vested in 1998 and one-third of the options will vest in 1999 and in 2000. PGE pays Enron the estimated value of the shares vesting each year. The fair value of shares that vested in 1998 was \$5 million and is estimated to be \$5 million in both 1999 and 2000. The value is calculated using the Black-Scholes option-pricing model.

NOTE 3 - INCOME TAXES

The following table shows the detail of taxes on income and the items used in computing the differences between the statutory federal income tax rate and PGE's effective tax rate (millions of dollars):

	1998	1997	1996
Income Tax Expense			
Currently payable			
Federal	\$ 75	\$ 114	\$ 98
State and local	13	14	22
	88	128	120
Deferred income taxes			
Federal	(1)	(45)	(4)
State and local	(1)	(9)	(1)
	(2)	(54)	(5)
Investment tax credit adjustments	(4)	(4)	(4)
	\$ 82	\$ 70	\$ 111
Provision Allocated to:			
Operations	\$ 81	\$ 83	\$ 112
Other income and deductions	1	(13)	(1)
	\$ 82	\$ 70	\$ 111
Effective Tax Rate Computation:			
Computed tax based on statutory federal income tax rates applied	\$ 77	\$ 69	\$ 93
Flow through depreciation	4	6	9
State and local taxes - net	7	13	12
State of Oregon refund	-	(9)	-
Investment tax credits	(4)	(4)	(3)
Excess deferred tax	(1)	(1)	(1)
Other	(1)	(4)	1
	\$ 82	\$ 70	\$ 111
Effective tax rate	37.5%	35.7%	41.6%

As of December 31, 1998 and 1997, the significant components of PGE's deferred income tax assets and liabilities were as follows (millions of dollars):

	1998	1997
DEFERRED TAX ASSETS		
Depreciation and amortization	\$ 27	\$ 31
SCE termination payment	42	49
Other regulatory liabilities	14	12
Employee fringe benefits	15	15
Other	4	12
	102	119
DEFERRED TAX LIABILITIES		
Depreciation and amortization	\$ (378)	\$ (393)
Price risk management	(9)	(10)
Trojan abandonment	(56)	(63)
Other regulatory assets	(3)	(4)
Other	(7)	(12)
	(453)	(482)
Total	\$ (351)	\$ (363)

PGE has recorded deferred tax assets and liabilities for all temporary differences between the financial statement basis and tax basis of assets and liabilities.

NOTE 4 - COMMON AND PREFERRED STOCK

	COMMON STOCK Number OF SHARES	\$3.75 Par VALUE	CUMULATIVE PREFERRED Number OF SHARES	\$100 Par VALUE	Other No-Par VALUE	Paid-in CAPITAL	Unearned COMPENSATION
(millions of dollars except share amounts)							
December 31, 1995	42,758,877	\$160	500,000	\$ 20	\$30	\$473	\$ (7)
Redemption of preferred stock	-	-	(200,000)	(20)	-	2	-
Repayment of ESOP loan and other	-	-	-	-	-	2	5
December 31, 1996	42,758,877	\$160	300,000	-	\$30	\$477	\$ (2)
Repayment of ESOP loan and other	-	-	-	-	-	3	2
December 31, 1997	42,758,877	\$160	300,000	\$ -	\$30	\$480	-
December 31, 1998	42,758,877	\$160	300,000	\$ -	\$30	\$480	\$ -

CUMULATIVE PREFERRED STOCK

PGE has authorized 30 million shares of cumulative preferred stock, no par value; there are 300,000 shares of the 7.75% series outstanding. The 7.75% series preferred stock has an annual sinking fund requirement which requires the redemption of 15,000 shares at \$100 per share beginning in 2002. At its option, PGE may redeem, through the sinking fund, an additional 15,000 shares each year. All remaining shares shall be mandatorily redeemed by sinking fund in 2007. This series is only redeemable by operation of the sinking fund.

No dividends may be paid on common stock or any class of stock over which the preferred stock has priority unless all amounts required to be paid for dividends and sinking fund payments have been paid or set aside, respectively.

COMMON DIVIDEND RESTRICTION OF SUBSIDIARY

Enron is the sole shareholder of PGE common stock. PGE is restricted from paying dividends or making other distributions to Enron without prior OPUC approval to the extent such payment or distribution would reduce PGE's common stock equity capital below 48% of its total capitalization.

NOTE 5 - CREDIT FACILITIES AND DEBT

At December 31, 1998, PGE had committed lines of credit totaling \$200 million, expiring in July 2000. These lines of credit have an annual fee of 0.10% and do not require compensating cash balances. These lines of credit are used primarily as backup for both commercial paper and borrowings from commercial banks under uncommitted lines of credit. At December 31, 1998, there were no outstanding borrowings under the committed lines of credit.

PGE has a \$200 million commercial paper facility. Unused committed lines of credit must be at least equal to the amount of PGE's commercial paper outstanding. Commercial paper and lines of credit borrowings are at rates reflecting current market conditions.

PGE sells commercial paper to provide financing for various corporate purposes. As of December 31, 1998, commercial paper borrowings of \$105 million have been classified as long-term debt based upon the availability of committed credit facilities with expiration dates exceeding one year and management's intent to maintain such amounts in excess of one year. Similarly, at December 31, 1998, \$102 million of long-term debt due within one year is classified as long-term.

Short-term borrowings and related interest rates were as follows:

	1998	1997
(millions of dollars)		
AS OF YEAR-END:		
Aggregate short-term debt outstanding		
Commercial paper	\$105	\$100
Weighted average interest rate*		
Commercial paper	5.2%	6.0%
Committed lines of credit	\$200	\$200
FOR THE YEAR ENDED:		
Average daily amounts of short-term debt outstanding		
Commercial paper	\$113	\$ 89
Weighted daily average interest rate*		
Commercial paper	5.4%	5.6%
Maximum amount outstanding during the year	\$144	\$115

\* Interest rates exclude the effect of commitment fees, facility fees and other financing fees.

The Indenture securing PGE's First Mortgage Bonds constitutes a direct first mortgage lien on substantially all utility property and franchises, other than expressly excepted property.

1998 1997

Schedule of long-term debt at December 31

	(millions of dollars)	
First Mortgage Bonds		
Maturing 1998 through 2003 5.65% - 8.88%	\$ 219	\$ 241
Maturing 2004 - 2007 7.15% - 9.07%	113	153
Maturing 2021 - 2023 7.75% - 9.46%	170	170
	502	564
Pollution Control Bonds		
Port of Morrow, Oregon, variable rate, due 2013 & 2031		
(Average rate 3.5% for 1998)	6	29
Port of Morrow, Oregon, variable rate, due 2031 & 2033	23	-
(4.60% fixed rate to 2033)		
City of Forsyth, Montana, variable rate, due 2013 & 2016	-	119
Amount held by trustee	-	(8)
City of Forsyth, Montana, variable rate, due 2033		
(4.60% - 4.75% fixed rate to 2003)	119	-
Port of St. Helens, Oregon, 4.80% - 7 1/8%, due 2010 &	52	52
	200	192
Other		
8.25% Junior Subordinated Deferrable Interest due December 31, 2035	75	75
6.91% Conservation Bonds maturing monthly to 2006	68	73
Capital lease obligations	1	4
Commercial Paper	105	100
	249	252
Total long-term debt	\$ 951	\$ 1,008

The following principal amounts of long-term debt (excluding Commercial Paper) become due through regular maturities (millions of dollars):

	1999	2000	2001	2002	2003
Maturities:					
PGE	\$102	\$32	\$53	\$23	\$49

NOTE 6 - OTHER FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practical to estimate that value.

CASH AND CASH EQUIVALENTS - The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments.

OTHER INVESTMENTS - Other investments approximate market value.

REDEEMABLE PREFERRED STOCK - The fair value of redeemable preferred stock is based on quoted market prices.

LONG-TERM DEBT - The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to PGE for debt of similar remaining maturities.

INTEREST RATE SWAPS - At December 31, 1998, PGE had entered into interest rate swap agreements with a notional principal amount of \$142 million to manage interest rate exposure. In March 1999 PGE unwound these agreements. The estimated fair value of these agreements is based on the amount PGE would receive if the agreements were terminated.

The estimated fair values of debt and equity instruments are as follows (millions of dollars):

	1998		1997	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Preferred stock subject to mandatory redemption	\$ 30	\$ 35	\$ 30	\$ 34
Long-term debt	\$777	\$822	\$831	\$861
Interest rate swaps in net receivable position	\$ -	\$ 1	\$ -	\$ -

NOTE 7 - COMMITMENTS

NATURAL GAS AGREEMENTS

PGE has long-term agreements for transmission of natural gas from domestic and Canadian sources to natural gas-fired generating facilities. The agreements provide firm pipeline capacity. Under the terms of these agreements, PGE is committed to paying capacity charges of approximately \$15 million annually in 1999 through 2003 and \$122 million over the remaining years of the contracts. PGE's capacity payments amounted to \$16 million in 1998 and 1997, and \$15 million in 1996. These contracts expire at varying dates from 2001 to 2015. PGE has the right to assign unused capacity to other parties.

PURCHASE COMMITMENTS

Purchase commitments outstanding, which include construction, coal, and railroad service agreements, totaled approximately \$51 million at December 31, 1998. Cancellation of these purchase agreements could result in cancellation charges.

FUEL CONTRACTS

PGE has coal and transportation contracts with take-or-pay obligations totaling \$7 million for 1999 and \$1 million for 2000. Coal purchases under unconditional purchase obligations in 1998, 1997, and 1996 respectively, were \$5 million, \$2 million, and \$3 million.

PURCHASED POWER

PGE has long-term power purchase contracts with certain public utility districts in the state of Washington and with the City of Portland, Oregon. PGE is required to pay its proportionate share of the operating and debt service costs of the hydro projects whether or not they are operable.

Selected information is summarized as follows (millions of dollars):

	ROCKY REACH	PRIEST RAPIDS	WANAPUM	WELLS	PORTLAND HYDRO
Revenue bonds outstanding at December 31, 1998	\$238	\$ 171	\$ 157	\$173	\$ 34
PGE's current share of:					
Output	12.0%	13.9%	18.7%	20.3%	100%
Net capability (megawatts)	154	131	194	171	36
Annual cost, including debt service:					
1998	6	4	6	6	4
1997	7	3	4	6	4
1996	5	4	5	6	4
Contract expiration date	2011	2005	2009	2018	2017

PGE's share of debt service costs, excluding interest, will be approximately \$5 million for 1999, \$7 million for 2000 thru 2002, and \$8 million for 2003. The minimum payments through the remainder of the contracts are estimated to total \$70 million.

PGE has entered into long-term contracts to purchase power from other utilities in the region. These contracts will require fixed payments of up to \$23 million in 1999, \$20 million in 2000, and \$19 million in 2001 through 2003. After that date, capacity contract charges will average \$19 million annually until 2016. Long-term contract payments amounted to \$22 million in 1998, \$23 million in 1997, and \$28 million in 1996.

LEASES

PGE has operating and capital leasing arrangements for its headquarters complex, combustion turbines and the coal-handling facilities and certain railroad cars for Boardman. PGE's aggregate rental payments charged to

expense totaled \$23 million in 1998, \$24 million in 1997, and \$22 million in 1996. PGE has capitalized its combustion turbine leases; however, these leases are considered operating leases for rate making purposes. Future minimum lease payments under non-cancelable leases are as follows (millions of dollars):

YEAR ENDING DECEMBER 31	CAPITAL LEASES	OPERATING LEASES (NET OF SUBLEASE RENTALS)	TOTAL
1999	\$1	\$ 21	\$ 22
2000	-	22	22
2001	-	21	21
2002	-	11	11
2003	-	11	11
Remainder	-	162	162
Total	\$1	\$248	\$249
Imputed Interest	-		
Present Value of Minimum Future Net Lease Payments	\$1		

Included in the future minimum operating lease payments schedule above is approximately \$114 million for PGE's headquarters complex.

The lease of combustion turbine generators at Bethel terminated at the end of 1998. In February 1999, PGE exercised its option to purchase the combustion turbine generators at Beaver for \$37 million at the August 1999 termination of the lease.

#### NOTE 8 - WNP-3 SETTLEMENT EXCHANGE AGREEMENT

During 1997, PGE transferred its rights and certain obligations under the WNP-3 Settlement Exchange Agreement (WSA) and the long-term power sale agreement with the Western Area Power Administration (WAPA) to Enron in the form of a special non-cash dividend.

#### NOTE 9 - JOINTLY OWNED PLANT

At December 31, 1998, PGE had the following investments in jointly owned generating plants (millions of dollars):

FACILITY	LOCATION	FUEL	MW CAPACITY	PGE % INTEREST	PLANT IN SERVICE	ACCUMULATED DEPRECIATION
Boardman	Boardman, OR	Coal	529	65.8	\$380	\$208
Colstrip 3&4	Colstrip, MT	Coal	1,440	20.0	454	235
Centralia	Centralia, WA	Coal	1,310	2.5	10	6

The dollar amounts in the table above represent PGE's share of each jointly owned plant. Each participant in the above generating plants has provided its own financing. PGE's share of the direct expenses of these plants is included in the corresponding operating expenses on PGE's consolidated income statements.

NOTE 10 - LEGAL MATTERS

TROJAN INVESTMENT RECOVERY - On June 24, 1998, the Oregon Court of Appeals ruled that the OPUC does not have the authority to allow PGE to recover a return on its undepreciated investment in the Trojan generating facility. The court upheld the OPUC's authorization of PGE's recovery of its undepreciated investment in Trojan.

The Court of Appeals decision was a result of combined appeals from earlier circuit court rulings. In April 1996, a Marion County Circuit Court judge ruled that the OPUC could not authorize PGE to collect a return on its undepreciated investment in Trojan, contradicting a November 1994 ruling from the same court upholding the OPUC's authority. The 1996 ruling was the result of an appeal of PGE's 1995 general rate order which granted PGE recovery of, and a return on, 87 percent of its remaining investment in Trojan.

On August 26, 1998, PGE and the OPUC filed a Petition for Review with the Oregon Supreme Court, supported by amicus briefs filed by three other major utilities seeking review of that portion of the Oregon Court of Appeals decision relating to PGE's return on its undepreciated investment in Trojan. If the Supreme Court declines to hear the case, it would be referred back to the OPUC. Due to uncertainties in the regulatory process, management cannot predict, with certainty, what ultimate rate making action the OPUC will take regarding PGE's recovery of a rate of return on its Trojan investment.

Also on August 26, 1998, the Utility Reform Project filed a Petition for Review with the Oregon Supreme Court seeking review of that portion of the Oregon Court of Appeals decision relating to PGE's recovery of its undepreciated investment in Trojan.

At December 31, 1998, PGE's after-tax Trojan plant investment was \$170 Million. PGE is presently collecting annual revenues of approximately \$21 million, representing the return on its undepreciated investment. Revenue amounts reflecting a recovery of a return on the Trojan investment decline through the recovery period which ends in the year 2011.

Management believes that the ultimate outcome will not have a material adverse impact on the financial position of the Company. However, it may have a material impact on the results of operations for future reporting periods.

OTHER LEGAL MATTERS - PGE is party to various other claims, legal actions and complaints arising in the ordinary course of business. These claims are not considered material.

NOTE 11 - TROJAN NUCLEAR PLANT

PLANT SHUTDOWN AND TRANSITION COSTS - PGE is a 67.5% owner of Trojan. In early 1993, PGE ceased commercial operation of the nuclear plant. Since plant closure, PGE has committed itself to a safe and economical transition toward a decommissioned plant. Remaining transition costs associated with operating and maintaining the spent fuel pool and securing the plant until fuel is transferred to dry storage in 1999 are estimated at \$8 million and will be paid from current operating funds.

DECOMMISSIONING - In December 1997, PGE filed an updated decommissioning plan estimate with the OPUC. The plan estimates PGE's cost to decommission Trojan at \$339 million, reflected in nominal dollars (actual dollars expected to be spent in each year). The primary reason for the reduction from the \$351 million estimated in 1994 is a lower inflation rate, coupled with the acceleration of certain decommissioning activities and partially offset by cost increases related to the spent fuel storage project. The current estimate assumes that the majority of decommissioning activities will occur between 1998 and 2002, while fuel management costs extend through the year 2018. The original plan represents a site-specific decommissioning estimate performed for Trojan by an engineering firm experienced in estimating the cost of decommissioning nuclear plants. Updates to the plan's original estimate have been prepared by PGE. Final site restoration activities are anticipated to begin in 2018 after PGE completes shipment of spent fuel to a USD0E facility (see the Nuclear Fuel Disposal discussion below). Stated in 1998 dollars, the decommissioning cost estimate is \$290 million.

TROJAN DECOMMISSIONING LIABILITY  
(millions of dollars)

Estimated - 12/31/94	\$351
Updates filed with NRC - 11/16/95	7
Updates filed with OPUC - 12/01/97	(19)
	339
Expenditures through 12/31/98	(73)
Liability - 12/31/98	266
Transition costs	8
Total Trojan obligation	\$274

PGE is collecting \$14 million annually through 2011 from customers for decommissioning costs. These amounts are deposited in an external trust fund which is limited to reimbursing PGE for activities covered in Trojan's decommissioning plan. Funds were withdrawn during 1998 to cover the costs of planning and licensing activities in support of the independent spent fuel storage installation and the reactor vessel and internals removal project. Decommissioning funds are invested primarily in investment-grade, tax-exempt and U.S. Treasury bonds. Year-end balances are valued at market.

Earnings on the trust fund are used to reduce the amount of decommissioning costs to be collected from customers. PGE expects any future changes in estimated decommissioning costs to be incorporated in future revenues to be collected from customers.

DECOMMISSIONING TRUST ACTIVITY  
(Millions of dollars)

	1998	1997
Beginning Balance	\$84	\$78
Activity		
Contributions	14	14
Gain	4	6
Disbursements	(30)	(14)
Ending Balance	\$72	\$84

NUCLEAR FUEL DISPOSAL AND CLEANUP OF FEDERAL PLANTS - PGE contracted with the USD0E for permanent disposal of its spent nuclear fuel in federal facilities at a cost of 0.1 per net kilowatt-hour sold at Trojan which the Company paid during the period the plant operated. Significant delays are expected in the USD0E acceptance schedule of spent fuel from domestic utilities. The federal repository, which was originally

scheduled to begin operations in 1998, is now estimated to commence operations no earlier than 2010. This may create difficulties for PGE in disposing of its high-level radioactive waste by 2018. However, federal legislation has been introduced which, if passed, would require USDOE to provide interim storage for high-level waste until a permanent site is established. PGE intends to build an interim storage facility at Trojan to house the nuclear fuel until a federal site is available.

The Energy Policy Act of 1992 provided for the creation of a Decontamination and Decommissioning Fund to finance the cleanup of USDOE gas diffusion plants. Funding comes from domestic nuclear utilities and the federal government. Each utility contributes based on the ratio of the amount of enrichment services the utility purchased to the total amount of enrichment services purchased by all domestic utilities prior to the enactment of the legislation. Based on Trojan's 1.1% usage of total industry enrichment services, PGE's portion of the funding requirement is approximately \$17 million. Amounts are funded over 15 years beginning with the USDOE's fiscal year 1993. Since enactment, PGE has made the first seven of the 15 annual payments with the first payment made in September 1993.

**NUCLEAR INSURANCE** - The Price-Anderson Amendment of 1988 limits public liability claims that could arise from a nuclear incident and provides for loss sharing among all owners of nuclear reactor licenses. Because Trojan has been permanently defueled, the NRC has exempted PGE from participation in the secondary financial protection pool covering losses in excess of \$200 million at other nuclear plants. In addition, the NRC has reduced the required primary nuclear insurance coverage for Trojan from \$200 million to \$100 million following a 3 year cool-down period of the nuclear fuel that is still on-site. The NRC has allowed PGE to self-insure for on-site decontamination. PGE continues to carry non-contamination property insurance on the Trojan plant at the \$158 million level.

QUARTERLY COMPARISON FOR 1998 AND 1997 (UNAUDITED)

	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31	TOTAL
	(MILLIONS OF DOLLARS)				
1998					
Operating revenues	\$314	\$260	\$274	\$328	\$ 1,176
Net operating income	52	42	41	65	200
Net income	37	24	26	50	137
Income available for common stock	36	25	25	49	135
1997					
Operating revenues	\$368	\$308	\$391	\$349	\$ 1,416
Net operating income	65	46	46	51	208
Net income	48	28	15	35	126
Income available for common stock	47	28	14	35	124

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

DIRECTORS OF THE REGISTRANT (\*)

JAMES V. DERRICK, JR., age 54

Director since 1997

Mr. Derrick has served as Senior Vice President and General Counsel of Enron since June 1991. Prior to joining Enron in 1991, Mr. Derrick was a partner at the law firm of Vinson & Elkins L.L.P. for over 13 years.

PEGGY Y. FOWLER, age 47

Director since 1998

Ms. Fowler has served as President of Portland General Electric Company since 1997. Ms. Fowler served as Executive Vice President and Chief Operating Officer of Portland General Electric from November 1996 until appointed to current position. Ms Fowler also serves on the boards of George Fox University, Goodwill Industries, Legacy Health System, and Lifewise, a Premera Health Plan Inc.

KEN L. HARRISON, age 56

Director since 1987

Mr. Harrison serves as a Director and Vice Chairman of Enron and has served as Chairman and Chief Executive Officer of Portland General Electric Company since 1987. Mr. Harrison is also a Director of Enron Oil & Gas Company, Enron Communications Inc, and Rythms Net Connections.

JOSEPH M. HIRKO, age 42

Director since 1997

Mr. Hirko serves as Senior Vice President of Enron and also serves as President and Chief Executive Officer of Enron Communications. From 1991 to 1998 he served as Vice President-Finance, Chief Financial Officer, Chief Accounting Officer and Treasurer of Portland General Electric Company.

KENNETH L. LAY, age 56

Director since 1997

Mr. Lay has served as Chairman of the Board and Chief Executive Officer of Enron since February 1986. Mr. Lay is also a Director of Eli Lilly and Company, Compaq Computer Corporation, Enron Oil & Gas Company, EOTT Energy Corp. (the general partner of EOTT Energy Partners, L.P.) and Trust Company of the West.

JEFFREY K. SKILLING, age 45

Director since 1997

Since January 1, 1997, Mr Skilling has served as President and Chief Operating Officer of Enron. From June 1995 until December 1996 he served as Chief Executive Officer and Managing Director of Enron Capital & Trade Resources Corp. ("ECT"). From August 1990 until June 1995, Mr. Skilling served ECT in a variety of senior managerial positions.

(\*)Directors of PGE hold office until the next annual meeting of shareholders or until their respective successors are duly elected and qualified.

PORTLAND GENERAL ELECTRIC COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOW

EXECUTIVE OFFICERS OF THE REGISTRANT (\*)

NAME	AGE	BUSINESS EXPERIENCE
Ken L. Harrison Chairman and Chief Executive Officer	56	Appointed to current position of Chairman and Chief Executive Officer on December 1, 1988.
Peggy Y. Fowler President and Chief Operating Officer	47	Appointed to current position on June 24, 1997. Served as Executive Vice President and Chief Operating Officer, PGE from November 1996 until appointed to current position. Served as Senior Vice President, Energy Services from September 1995 until November 1996. Served as Vice President, Distribution and Power Production from January 1990 to September 1995.
Alvin L. Alexanderson Senior Vice President General Counsel and Secretary	51	Appointed to current position on December 12, 1995. Served as Vice President, Rates and Regulatory Affairs from February 1991 until appointed to current position.
Frederick D. Miller Senior Vice President Public Policy and Administrative Services	56	Appointed to current position on June 24, 1997. Served as Senior Vice President, Public Affairs and Corporate Services from November 1996 until appointed to current position. Served as Director of Executive Department, State of Oregon, from 1987 until appointed to Vice President, Public Affairs and Corporate Services in October 1992.
Walter E. Pollock Senior Vice President Power Supply	56	Appointed to current position on October 14, 1997. Served as Vice President, Enron Capital and Trade and Senior Vice President, First Point Utility Solutions from November 1996 until appointed to current position. Served as Group Vice President, Marketing Conservation and Production at Bonneville Power Administration (BPA) from April 1994 to November 1996. Served as Assistant Administrator at BPA, Office of Power Sales from January 1988 until March 1994.
Arleen N. Barnett Vice President Human Resources	46	Appointed to current position on February 1, 1998. Served as Manager, Human Resources from 1989 until appointed to current position.
David K. Carboneau Vice President Products and Services	52	Appointed to current position in October 1998. Served as President of First Point Utility Solutions until appointed to current position. Served as Vice President, Utility Service and Telecommunications from January 1997 until July 1997. Served as Vice President, Information Technology from January 1996 until January 1997. Served as Vice President, Thermal and Power Operations from September 1995 to January 1996. Served as Vice President, PGE Administration from October 1992 to September 1995.
Stephen R. Hawke Vice President Delivery System Planning and Engineering	49	Appointed to current position on July 1, 1997. Served as General Manager, System Planning and Engineering until appointed to current position. Served as Manager, Response and Restoration from May 1993 until May 1995. Served as Manager, Western Region from August 1990 until May 1993.



EXECUTIVE OFFICERS OF THE REGISTRANT (\*) - CONTINUED.

NAME	AGE	BUSINESS EXPERIENCE
Pamela G. Lesh Vice President Rates and Regulatory Affairs	42	Appointed to current position on December 31, 1998. Served as Vice President, Strategy and Product Management with ConneXt Corp. of Seattle since June 1997. Previously served at Portland General Electric as Vice President, Rates and Regulatory Affairs from November 1996 to June 1997. Served as Director of Marketing Strategy from May 1996 to June 1997. Served as Director of Rates and Regulatory Affairs from 1992 to 1996.
Joe A. McArthur Vice President Substation and Line Operations	51	Appointed to current position on July 1, 1997. Served as Manager of Western Region from May 1996 until appointed to current position. Served as Manager, System Planning from May 1995 to May 1996. Served as Commercial and Industrial Market Manager from 1993 to 1995. Served as Substation Maintenance and Metering Manager from 1980 to 1993.
James J. Piro Vice President Business Development	46	Appointed to current position on February 23, 1998. Served as General Manager, Planning Support and Analysis from November 1992 until appointed to current position.
Stephen M. Quennoz Vice President Nuclear and Thermal Operations	51	Appointed to current position in October, 1998. Joined PGE in 1991 and held the position of Trojan Site Executive and Plant General Manager since 1993.
Christopher D. Ryder Vice President Distribution and Customer Service	49	Appointed to current position on July 1, 1997. Served as General Manager, Customer Services and Southern Region Operations from 1996 until appointed to current position. Served as General Manager, Customer Services and Marketing from 1992 to 1996.
Mary K. Turina Treasurer, Controller and Chief Accounting Officer	31	Appointed to current position on March 10, 1999. Served as Controller, Chief Accounting Officer and Assistant Treasurer until appointed to current position. Served as Manager of Risk Management, Reporting and Control from March 1996 to July 1998. Served as Senior Business Analyst from 1991 to 1996.

(\*) Officers are listed as of March 10, 1999; they are elected for one-year terms or until their successors are elected and qualified.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following indicates total compensation earned for the years ended December 31, 1998, 1997, 1996 by the Chief Executive Officer and the four most highly compensated executive officers of PGE.

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation	All Other Compensation
		Salary (1)	Bonus	Restricted Stock Awards (2)	
Ken L. Harrison (5)	1998	\$206,799	\$183,200	\$ 705,483	\$12,050
Chairman	1997	243,570	236,592	204,755	68,051
Chief Executive Officer	1996	399,510	252,193	251,410	40,480
Peggy Y. Fowler	1998	246,664	300,000	200,004	17,443
President, Chief Operating Officer	1997	230,000	160,000	230,185	29,406
	1996	202,504	106,379	150,500	24,045
Walter E. Pollock (4)	1998	176,191	140,000	75,037	5,664
Senior Vice President, Power Supply	1997	37,500	24,000	0	826
	1996	0	0	0	0
Frederick D. Miller	1998	181,684	150,000	68,760	10,233
Senior Vice President, Public Policy and Administrative Services	1997	175,020	105,000	0	48,906
	1996	161,259	73,811	75,250	36,400
James J. Piro	1998	157,535	128,063	50,043	5,081
Vice President, Business Development	1997	131,352	140,000	0	7,743
	1996	104,304	36,226	0	6,210

(1) Amounts shown include cash compensation earned and received by the executive officer, as well as amounts earned but deferred at the election of the officer.

(2) Restricted stock awards are valued at the closing price of \$41.4375 per share of Enron common stock for the July 1, 1997, grant which vested 20% on July 1, 1998, and 20% on each of the following four anniversaries of the date of grant. Dividend equivalents for the July 1, 1997, grant accrue from the date of grant and are paid upon vesting. Restricted stock awards are valued at the closing price of \$37.625 per share of PGC common stock for the September 10, 1996 grant, which converted to Enron shares on the effective date of the merger. Dividends on this grant are paid as declared. Restricted stock awarded to Mr. Harrison on October 12, 1998, is valued at the \$50.9375 per share closing price of Enron common stock on that date; one-third of the shares vest on January 31 of each of the next three years, beginning in 1999. Restricted stock awarded to other officers was granted December 31, 1998, and is valued at the \$57.0625 per share closing price of Enron common stock on that date. Aggregate restricted stock holdings listed below are valued at \$57.0625 per share, the closing price of the Enron common stock on December 31, 1998.

AGGREGATE RESTRICTED STOCK HOLDINGS

	AGGREGATE SHARES (#)	VALUE
Ken L. Harrison	58,743	\$3,352,022
Peggy Y. Fowler	11,879	677,845
Walter E. Pollock	1,315	75,037
Frederick D. Miller	3,170	180,888
James J. Piro	877	50,044

(3) Other compensation includes: (i) company-paid split dollar insurance premiums; (ii) the dollar value of life insurance benefits as determined under the Commission's methodology for valuing such benefits; (iii) company contributions to the RSP and the MDCP; and (iv) earnings on amounts in the MDCP which are greater than 120 percent of the federal long-term rate which was in effect at the time the rate was set. The following are amounts for 1998:

	Split Dollar Insurance Premiums	Dollar Value of Life Insurance	Contributions to 401 (k) and MDCP	Above Market Interest on MDCP	Total
Ken L. Harrison	\$ 403	\$1,130	\$ 4,103	\$ 6,414	\$12,050
Peggy Y. Fowler	450	7,430	8,109	1,454	17,443
Walter E. Pollock	0	0	5,331	333	5,664
Frederick D. Miller	610	0	6,885	2,738	10,233
James J. Piro	0	0	4,859	222	5,081

(4) Mr. Pollock was hired November 1, 1996, and was not a PGE employee until October, 1997.

(5) Mr. Harrison also serves as an executive officer of Enron. The compensation shown represents the amount allocated to PGE.

The following lists information concerning options to purchase shares of Enron common stock that were granted to PGE's five highest paid officers during 1998. No stock appreciation rights were granted during 1998.

#### OPTIONS/SAR GRANTS IN LAST FISCAL YEAR

Name	Number of Securities Underlying Options/ SARs{(1)} Granted	% of Total Options/ SARs Granted to Employees in Fiscal Year	Exercise or Base Price (\$/SH)	Expiration Date	Potential Realized Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
					5%	10%
Ken L. Harrison	14,320{(2)}	0.18%	\$40.1250	01/19/05	\$ 233,916	\$ 545,123
	140,285{(3)}	1.80%	50.9375	10/12/08	4,493,935	11,388,513
	117,925{(4)}	1.50%	50.9375	10/12/08	3,777,647	9,573,300
Peggy Y. Fowler	15,210{(5)}	0.19%	57.0625	12/31/05	353,331	823,411
Walter E. Pollock	5,705{(5)}	0.07%	57.0625	12/31/05	132,528	308,847
James J. Piro	3,805{(5)}	0.05%	57.0625	12/31/05	88,391	205,988
Frederick D. Miller	5,230{(5)}	0.07%	57.0625	12/31/05	121,494	283,132

- (1) If a "Change of Control" (as defined in the Enron 1991 Stock Plan) were to occur before the options became exercisable and are exercised, the vesting described below will be accelerated and all such outstanding options shall be surrendered and the optionee shall receive a cash payment by Enron in an amount equal to the value of the surrendered options (as defined in the 1991 Stock Plan).
- (2) Represents stock options awarded January 19, 1998 which were fully vested on the date of grant.
- (3) Represents stock options awarded on October 12, 1998, which vested 25% at grant and 25% each on June 30 thereafter.
- (4) Represents stock options awarded on October 12, 1998, which cliff vest 100% on the 5th anniversary date of the grant.
- (5) Represents stock options awarded under the Long-Term Incentive Program for 1999. Stock options awarded on December 31, 1998 became 25% vested on the date of grant with an additional 25% vested on the anniversary of the date of grant until 100% vested December 31, 2001.

The following lists information concerning options to purchase shares of Enron common stock that were exercised by the officers named above during 1998, and the total options and their value held by each at December 31, 1998.

Aggregate Stock Options/SAR Exercised During 1998  
AND STOCK OPTIONS/SAR VALUES AT DECEMBER 31, 1998

NAME	Shares Acquired ON EXERCISE	Value REALIZED	Exercisable SHARES	Unexercisable SHARES	Exercisable AMOUNT	Unexercisable AMOUNT
Ken L. Harrison	20,900	\$788,338	190,202	320,093	\$4,611,889	\$2,878,513
Peggy Y. Fowler	18,137	221,786	5,855	34,733	31,806	363,428
Walter E. Pollock	0	0	4,186	28,424	42,780	325,950
Frederick D. Miller	7,000	115,500	9,175	20,385	122,626	256,739
James J. Piro	0	0	27,170	21,037	684,680	343,097

LONG-TERM INCENTIVE PLAN - AWARDS IN 1998

The following table provides information concerning awards of performance units under the Performance Unit Plan of Enron for the 1998 - 2001 performance period. Grants are made at the beginning of each fiscal year and each unit is assigned a value of \$1.00. The units are subject to a four-year performance period, at the end of which Enron's total shareholder return is compared to that of the 11 peer companies included in the Current Peer Group. At that time, the units are assigned a value ranging from \$0 to \$2.00 based on the rank of Enron's shareholder return within the Current Peer Group. To be valued at the maximum of \$2.00, Enron must rank first, and to be valued at the target of \$1.00, Enron must rank third. Regardless of Enron's rank, Enron's shareholder return must be above the return on 90-day U.S. Treasury Bills over the same performance period in order for any value to be assigned.

NAME	Number of Shares Units or Other RIGHTS (#)	Performance or Other Period Unit Maturity PAYOUT	Estimated Future Payouts UNDER NON-STOCK PRICE-BASED PLANS		
			Threshold (\$)	Target (\$)	Maximum (\$)
Ken L. Harrison	325,000	4 years	0	\$325,000	\$650,000
Peggy Y. Fowler	100,000	4 years	0	100,000	200,000
Walter E. Pollock	50,000	4 years	0	50,000	100,000
Frederick D. Miller	37,500	4 years	0	37,500	75,000

Estimated annual retirement benefits payable upon normal retirement at age 65 for the named executive officers are shown in the table below. Amounts in the table reflect payments from the Portland General Holdings, Inc. Pension Plan and Supplemental Executive Retirement Plan ("SERP") combined.

Pension Plan Table  
Estimated Annual Retirement Benefit  
Straight-Life Annuity, Age 65

Final Average EARNINGS:	Years of Service		
	15	20	25+
\$ 175,000	\$78,750	\$91,875	\$105,000
200,000	90,000	105,000	120,000
225,000	101,250	118,125	135,000
250,000	112,500	131,250	150,000
300,000	135,000	157,500	180,000
400,000	180,000	210,000	240,000
500,000	225,000	262,500	300,000
600,000	270,000	315,000	360,000
1,000,000	450,000	525,000	600,000

Compensation used to calculate benefits under the combined Pension Plan and SERP is based on a three-year average of base salary and bonus amounts earned (the highest 36 consecutive months within the last 10 years), as reported in the Summary Compensation Table. SERP participants may retire without age-based reductions in benefits when their age plus years of service equals 85. Surviving spouses receive one half the participant's retirement benefit from the SERP, plus the joint and survivor benefit, if any, from the Pension Plan. In addition to the aforementioned annual retirement benefits, an additional temporary Social Security Supplement is paid until the participant is eligible for social security retirement benefits. Retirement benefits are not subject to any deduction for social security.

The following executive officers named in the table are participants in both plans and have had the following number of service years with the Company: Ken L. Harrison, 23; Peggy Y. Fowler, 24; Frederick D. Miller, 6. James J. Piro and Walter E. Pollock are not participants in the SERP but do participate in the Pension Plan. Under the Company's SERP, the named executives are eligible to retire without a reduction in benefits upon attainment of the following ages: Ken L. Harrison, 59; Peggy Y. Fowler, 55; Frederick D. Miller, 62. Mr. Pollock and Mr. Piro are not participants in the SERP.

EMPLOYMENT CONTRACTS

Mr. Harrison entered into a new employment agreement effective July 1, 1998, which superseded his July 20, 1996, employment agreement. The new agreement extends from the effective date through June 30, 2002, and provides for the following:

1. A base pay of not less than \$550,000.
2. Participation in the Enron Annual Incentive Plan.

3. A grant of 300,000 options under the Enron Communications, Inc. 1998 Stock Option Plan effective January 1, 1998, at a purchase price of one dollar (\$1.00) per share that will vest 25% on the first anniversary of the date of grant and an additional 6.25% for each completed three month period.
4. A grant of 140,285 options under the Enron 1991 Stock Plan that will vest 25% at grant and 25% on each June 30 of 1999, 2000 and 2001.
5. A grant of 12,800 shares of restricted stock under the Enron 1991 Stock Plan that will vest 33 1/3 % each January 31 of 1999, 2000 and 2001.
6. Eligibility for \$2.5 million long term value over a four year term as follows:
  - i. 50% of such value to be delivered in a 25,000 share performance based restricted stock grant with 33.3% vesting conditioned on meeting Enron after tax net income and/or cash flow targets for 1999, 2000 and 2001. Targets are cumulative over the three year period beginning with 1999 so that missed vesting due to missed targets can vest on a cumulative basis if the cumulative performance target is met.
  - ii. 50% of such value to be delivered in a 117,925 share Enron stock option grant with full 100% cliff vesting on 10/12/03, provided that the grant of options may accelerate vesting in 33.3% increments on each of 1/31/00, 1/31/01 and 1/31/02 conditioned on meeting Enron; performance targets to be established for 1999, 2000 and 2001.

Additionally, following termination of Mr. Harrison's employment for any reason, he will receive the aggregate benefits he would have received pursuant to the Pension Plan and the SERP, as in effect on the effective date of his employment agreement, as if he had retired on the effective date of his employment agreement having attained the "unreduced benefit date" (as defined in the SERP), and 25 years of service and as if his "final average earnings" (as defined in the SERP) had equaled \$1,050,000.

In partial consideration of rescinding Mr. Harrison's previous agreement and executing his new employment agreement effective July 1, 1998, Enron is obligated to pay Mr. Harrison the lesser of \$2,835,000 or 2.99 times his base amount, accruing the later of June 30, 2002, or the date Mr. Harrison ceases to be employed by a participating employer in the Management Deferred Compensation Plan.

Ms. Fowler and Mr. Miller entered into employment agreements on July 1, 1997, the effective date of the merger between Enron and PGC, the former parent of PGE. The employment agreements generally provide as follows: (i) each agreement will have a term of three years and expires on June 30, 2000; (ii) each agreement provides for severance pay in the event of involuntary termination by PGE based on the greater of two years or the remainder of the term; (iii) the minimum salary for Ms. Fowler is \$230,000 and the minimum salary for Mr. Miller is \$175,000 per year; the minimum guaranteed annual cash incentive per year under such agreements is \$115,000 for Ms. Fowler and \$52,500 for Mr. Miller; (iv) Mr. Miller's agreement provides for the grant of 25,000 options to purchase shares of Enron Common Stock while Ms. Fowler's provides for 30,000 options; (v) Ms. Fowler's agreement provides for the grant of a number of restricted shares of Enron Common Stock having a market value equal to such employee's annual base pay which will vest over a five year period; (vi) Ms. Fowler's and Mr. Miller's agreements provide that the failure of PGE and the employee to extend or enter into a new agreement for two years will be treated as involuntary termination; (vii) each agreement provides for a supplemental retirement benefit; (viii) each agreement provides that in the event that the severance or other payments payable under the agreement for involuntary termination constitute "excess parachute payments" within the meaning of Section 280G of the code and the employee becomes liable for any tax penalties, PGE will pay in cash to the employee an amount equal to such tax penalties until the amount of the last gross up is less than one hundred dollars; and (x) each agreement includes a noncompetition covenant.

Mr. Pollock entered into an employment agreement effective November 1, 1996. The agreement extends from the effective date until November 1, 1999, and provides for the following:

1. An initial base pay of \$150,000.
2. A guaranteed bonus of 33% of base pay paid in 1996 and 1997, and a bonus opportunity of 75% in 1998.

3. A grant of 20,000 shares of PGC stock under the Portland General Corporation amended and restated 1990 Long-Term Master Plan which converted to Enron Common Stock upon the merger and will vest 100% on November 4, 1999.
4. Remedy for breach clause which provides for a payment of one times Mr. Pollock's salary plus target incentive award if his employment is terminated plus equivalent medical and dental coverage for 12 months for Mr. Pollock and his dependents.
5. Noncompete and confidentiality clauses.

Mr. Piro entered into a retention agreement effective January 7, 1997. The agreement extends two years from the date of the merger between PGC and Enron and provides for the following:

1. No reduction of base pay during the agreement.
2. 12 months written notification prior to involuntary termination.
3. \$10,000 plus one times Mr. Piro's base pay and target incentive in the event of a breach of the agreement, where a breach is defined as involuntary termination, diminishment of status, base pay or bonus opportunity position and/or responsibilities or a requirement that Mr. Piro relocate outside the Portland, Oregon geographic area without his written consent. In addition to the payment, the company will provide Mr. Piro and his dependents with equivalent medical and dental coverage for up to 12 months.
4. Noncompete and confidentiality clauses.

#### COMPENSATIONS OF DIRECTORS

There are no compensation arrangements for or fees paid to Directors of PGE.

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND  
MANAGEMENT

PGE is a wholly-owned subsidiary of Enron.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There are no relationships or transactions involving PGE's directors and executive officers.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS  
ON FORM 8-K

(A) INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

FINANCIAL STATEMENTS

Report of Independent Public Accountants

Consolidated Statements of Income for each of the three years  
in the period ended December 31, 1998

Consolidated Statements of Retained Earnings for each of  
the three years in the period ended December 31, 1998

Consolidated Balance Sheets at December 31, 1998 and 1997

Consolidated Statement of Cash Flows for each of the three  
years in the period ended December 31, 1998

Notes to Financial Statements

FINANCIAL STATEMENT SCHEDULES

Schedules are omitted because of the absence of conditions under which they  
are required or because the required information is given in the financial  
statements or notes thereto.

EXHIBITS

See Exhibit Index on Page 66 of this report.

(B) REPORT ON FORM 8-K

None



SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Portland General Electric Company

March 19, 1999

By

Ken L. Harrison

Chairman and  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Chairman and  
Chief Executive Officer    March 19, 1999

Ken L. Harrison

Treasurer, Controller and  
Chief Accounting Officer    March 19, 1999  
(Principal financial officer  
and principal accounting  
officer)

Mary K. Turina

\*James V. Derrick  
\*Peggy Y. Fowler  
\*Ken L. Harrison  
\*Joseph M. Hirko  
\*Kenneth L. Lay  
\*Jeffrey K. Skilling

Directors

March 19, 1999

\*By

(Mary K. Turina, Attorney-in-Fact)

PORTLAND GENERAL ELECTRIC COMPANY AND  
SUBSIDIARIES

EXHIBIT INDEX

NUMBER

EXHIBIT

- (2) PLAN OF ACQUISITION, REORGANIZATION, ARRANGEMENT, LIQUIDATION OR SUCCESSION
- \* Amended and Restated Agreement and Plan of Merger, dated as of July 20, 1996 and amended and restated as of September 24, 1996 among Enron Corp, Enron Oregon Corp and Portland General Corporation [Amendment 1 to S4 Registration Nos. 333-13791 and 333-13791-1, dated October 10, 1996, Exhibit No. 2.1].
- (3) ARTICLES OF INCORPORATION AND BYLAWS
- \* Copy of Articles of Incorporation of Portland General Electric Company [Registration No. 2-85001, Exhibit (4)].
  - \* Certificate of Amendment, dated July 2, 1987, to the Articles of Incorporation limiting the personal liability of directors of Portland General Electric Company [Form 10-K for the fiscal year ended December 31, 1987, Exhibit (3)].
  - \* Form of Articles of Amendment of the New Preferred Stock of Portland General Electric Company [Registration No. 33-21257, Exhibit (4)].
  - \* Bylaws of Portland General Electric Company as amended on October 1, 1991 [Form 10-K for the fiscal year ended December 31, 1991, Exhibit (3)].
- Bylaws of Portland General Electric Company as amended on May 1, 1998, (Filed herewith).
- (4) INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS, INCLUDING INDENTURES
- \* Portland General Electric Company Indenture of Mortgage and Deed of Trust dated July 1, 1945.
  - \* Fortieth Supplemental Indenture, dated October 1, 1990 [Form 10-K for the fiscal year ended December 31, 1990, Exhibit (4)].
  - \* Forty-First Supplemental Indenture dated December 1, 1991 [Form 10-K for the fiscal year ended December 31, 1991, Exhibit (4)].
  - \* Forty-Second Supplemental Indenture dated April 1, 1993 [Form 10-Q for the quarter ended March 31, 1993, Exhibit (4)].
  - \* Forty-Third Supplemental Indenture dated July 1, 1993 [Form 10-Q for the quarter ended September 30, 1993, Exhibit (4)].
  - \* Forty-Fourth Supplemental Indenture dated August 1, 1994 [Form 10-Q for the quarter ended September 30, 1994, Exhibit (4)].
  - \* Forty-Fifth Supplemental Indenture dated May 1, 1995 [Form 10-Q for the quarter ended June 30, 1995, Exhibit (4)].

PORTLAND GENERAL ELECTRIC COMPANY AND  
SUBSIDIARIES

EXHIBIT INDEX

NUMBER	EXHIBIT
(4) CONT	* Forty-Sixth Supplemental Indenture dated August 1, 1996 [Form 10-K for the fiscal year ended December 31, 1997, Exhibit (4)].  Other instruments which define the rights of holders of long-term debt not required to be filed herein will be furnished upon written request.
(10)	MATERIAL CONTRACTS
	* Residential Purchase and Sale Agreement with the Bonneville Power Administration [Form 10-K for the fiscal year ended December 31, 1981, Exhibit (10)].
	* Power Sales Contract and Amendatory Agreement Nos. 1 and 2 with Bonneville Power Administration [Form 10-K for the fiscal year ended December 31, 1982, Exhibit (10)].
	The following 12 exhibits were filed in conjunction with the 1985 Boardman/Intertie Sale:
	* Long-term Power Sale Agreement, dated November 5, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].
	* Long-term Transmission Service Agreement, dated November 5, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].
	* Participation Agreement, dated December 30, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].
	* Lease Agreement, dated December 30, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].
	* PGE-Lessee Agreement, dated December 30, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].
	* Asset Sales Agreement, dated December 30, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].
	* Bargain and Sale Deed, Bill of Sale and Grant of Easements and Licenses, dated December 30, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].
	* Supplemental Bill of Sale, dated December 30, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].
	* Trust Agreement, dated December 30, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].
	* Tax Indemnification Agreement, dated December 30, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].

PORTLAND GENERAL ELECTRIC COMPANY AND  
SUBSIDIARIES

EXHIBIT INDEX

NUMBER	EXHIBIT
(10) CONT	* Trust Indenture, Mortgage and Security Agreement, dated December 30, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].
	* Restated and Amended Trust Indenture, Mortgage and Security Agreement, dated February 27, 1986 [Form 10-K for the fiscal year ended December 31, 1997, Exhibit (10)].
	* Portland General Holdings, Inc. Outside Directors' Deferred Compensation Plan, 1997 Restatement dated June 25, 1997 [Form 10-K for fiscal year ended December 31, 1997, Exhibit 10].
	* Portland General Holdings, Inc. Retirement Plan for Outside Directors, 1997 Restatement dated June 25, 1997 [Form 10-K for fiscal year ended December 31, 1997, Exhibit 10].
	* Portland General Holdings, Inc. Outside Directors' Life Insurance Benefit Plan, 1997 Restatement dated June 25, 1997 [Form 10-K for fiscal year ended December 31, 1997, Exhibit 10].
	EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS
	* Portland General Holdings, Inc. Management Deferred Compensation Plan, 1997 Restatement dated June 25, 1997 [Form 10-K for fiscal year ended December 31, 1997, Exhibit 10].
	* Portland General Holdings, Inc. Senior Officers Life Insurance Benefit Plan, 1997 Restatement Amendment No. 1 dated June 25, 1997 [Form 10-K for fiscal year ended December 31, 1997, Exhibit 10].
	* Portland General Electric Company Annual Incentive MasterPlan [Form 10-K for the fiscal year ended December 31, 1987, Exhibit (10)].
	* Portland General Electric Company Annual Incentive Master Plan, Amendments No. 1 and No. 2 dated March 5, 1990 [Form 10-K for the fiscal year ended December 31, 1989, Exhibit (10)].
	* Portland General Holdings, Inc. Supplemental Executive Retirement Plan, 1997 Restatement dated June 25, 1997 [Form 10-K for fiscal year ended December 31, 1997, Exhibit 10].

PORTLAND GENERAL ELECTRIC COMPANY AND  
SUBSIDIARIES

EXHIBIT INDEX

NUMBER	EXHIBIT
(24)	POWER OF ATTORNEY Portland General Electric Company Power of Attorney (filed herewith).

\* Incorporated by reference as indicated.

Note: Although the Exhibits furnished to the Securities and Exchange Commission with the Form 10-K have been omitted herein, they will be supplied upon written request and payment of a reasonable fee for reproduction costs. Requests should be sent to:

Mary K Turina  
Treasurer, Controller, and Chief Accounting Officer

Portland General Electric Company  
121 SW Salmon Street  
Portland, OR 97204

AMENDED AND RESTATED BYLAWS  
OF  
PORTLAND GENERAL ELECTRIC COMPANY

An Oregon Corporation

Date of Adoption  
May 1, 1998

(Section 2 of Article VII of these Bylaws shall be effective as of July 1, 1997, to the extent that such Section (i) would provide broader indemnification rights than those contained in the bylaws in effect prior to the date hereof, or (ii) would provide indemnification rights to persons not covered by the bylaws in effect prior to the date hereof.)

AMENDED AND RESTATED BYLAWS

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AMENDED AND RESTATED BYLAWS

OF

PORTLAND GENERAL ELECTRIC COMPANY

Article I

OFFICES

SECTION 1. REGISTERED OFFICE. The registered office of the Corporation required by the Oregon Business Corporation Act to be maintained in the State of Oregon shall be CT Corporation System, 520 S. W. Yamhill, Suite 800, Portland, Oregon 97204, or such other office as may be designated from time to time by the Board of Directors in the manner provided by law.

SECTION 2. OTHER OFFICES. The Corporation may also have offices at such other places both within and without the State of Oregon as the Board of Directors may from time to time determine or the business of the Corporation may require.

Article II

SHAREHOLDERS

SECTION 1. PLACE OF MEETINGS. All meetings of the shareholders shall be held at the principal office of the Corporation, or at such other place within or without the State of Oregon as shall be specified or fixed in the notices or waivers of notice thereof.

SECTION 2. QUORUM; ADJOURNMENT OF MEETINGS. Unless otherwise required by law or provided in the Articles of Incorporation, (i) the holders of a majority of the voting power attributable to the shares issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at any meeting of shareholders for the transaction of business, (ii) in all matters other than election of directors, the affirmative vote of the holders of a majority of the voting power attributable to such shares so present or represented and voting at any meeting of shareholders at which a quorum is present shall constitute the act of the shareholders, and (iii) where a separate vote by a class or classes is required, a majority of the voting power attributable to the outstanding shares of such class or classes, present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter and the affirmative vote of the majority of the voting power attributable to the shares of such class or classes present in person or represented and voting by proxy at the meeting shall be the act of such class.

Directors shall be elected by a plurality of the votes cast by the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors.

Notwithstanding the Articles of Incorporation or the other provisions of these Bylaws, the chairman of the meeting or the holders of a majority of the voting power attributable to the issued and outstanding shares, present in person or represented by proxy and entitled to vote thereat, at any meeting of shareholders, whether or not a quorum is present, shall have the power to adjourn such meeting from time to time, without any notice other than announcement at the meeting of the time and place of the holding of the adjourned meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at such meeting. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the meeting as originally called.

SECTION 3. ANNUAL MEETINGS. An annual meeting of the shareholders, for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place (within or without the State of Oregon), on such date, and at such time as the Board of Directors shall fix and set forth in the notice of the meeting, which date shall be within thirteen (13) months subsequent to the last annual meeting of shareholders.

SECTION 4. SPECIAL MEETINGS. Unless otherwise provided in the Articles of Incorporation, special meetings of the shareholders for any purpose or purposes may be called at any time by the Chairman of the Board, by the President, by the Vice Chairman of the Board, by a majority of the Board of Directors, or by a majority of the Executive Committee (if any), or, to the extent required by law, by the holders of not less than 10% of all shares entitled to vote on any issue at the proposed special meeting, if such holders sign, date and deliver to the Corporation's Secretary one or more written demands for the meeting describing the purpose or purposes for which it is to be held, then in each case, at such time and at such place as may be stated in the notice of the meeting. Business transacted at a special meeting shall be confined to the purpose(s) stated in the notice of such meeting.

SECTION 5. RECORD DATE. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders, or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of shares or for the purpose of any other lawful action, the Board of Directors of the Corporation may fix a date as the record date for any such determination of shareholders, which record date shall not precede the date on which the resolutions fixing the record date are adopted and which record date, in the case of a meeting of shareholders, shall not be more than seventy (70) days nor less than ten (10) days before the date of such meeting of shareholders, nor, in the case of any other action, more than seventy (70) days prior to any such action.

If the Board of Directors does not fix a record date for any meeting of the shareholders, the record date for determining shareholders entitled to notice of or to vote at such meeting shall be at the close of business on the day before notice is mailed or otherwise transmitted to shareholders. If the Board of Directors does not fix the record

date for determining shareholders for any other purpose, the record date shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting and must do so if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

For the purpose of determining the shareholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If the Board of Directors does not fix the record date, the record date for determining shareholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is necessary, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation at its registered office in the State of Oregon, at its principal place of business, or to an officer or agent of the Corporation having custody of the book in which proceedings of meetings of shareholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If the Board of Directors does not fix the record date, and prior action by the Board of Directors is necessary, the record date for determining shareholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

SECTION 6. NOTICE OF MEETINGS. Written notice of the place, date and hour of all meetings, and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be given by or at the direction of the Chairman of the Board, the President, the Vice Chairman of the Board, the Secretary or other person(s) calling the meeting to each shareholder entitled to vote thereat not less than ten (10) nor more than sixty (60) days before the date of the meeting. Such notice is given when deposited in the United States mail, postage prepaid, directed to the shareholder at such shareholder's address as it appears on the records of the Corporation.

SECTION 7. SHAREHOLDER LIST. A complete list of shareholders entitled to vote at any meeting of shareholders, arranged in alphabetical order for each class of shares and showing the address of each such shareholder and the number of shares registered in the name of such shareholder, shall be open to the examination of any shareholder, for any purpose germane to the meeting, during ordinary business hours, beginning two business days after notice of the meeting is given for which the list was prepared and continuing through the meeting, either at the Corporation's principal office, or at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting. The shareholder list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any shareholder or such shareholder's agent or attorney during the meeting or any adjournment thereof.

SECTION 8. PROXIES. Each shareholder entitled to vote at a meeting of shareholders may authorize another person or persons to act for him by proxy. Proxies for use at any meeting of shareholders shall be filed with the Secretary, or such other officer as the Board of Directors may from time to time determine by resolution, before or at the time of the meeting. All proxies shall be received and taken charge of and all ballots shall be received and canvassed by the secretary of the meeting, who shall decide all questions touching upon the qualification of voters, the validity of the proxies, and the acceptance or rejection of votes, unless an inspector or inspectors shall have been duly appointed as provided in Section 9 of Article II hereof, in which event such inspector or inspectors shall decide all such questions.

No proxy shall be valid after eleven (11) months from its date, unless the proxy provides for a longer period. Each proxy shall be revocable unless expressly provided therein to be irrevocable and coupled with an interest sufficient in law to support an irrevocable power.

Should a proxy designate two or more persons to act as proxies, unless such instrument shall provide the contrary, a majority of such persons present at any meeting at which their powers thereunder are to be exercised shall have and may exercise all the powers of voting or giving consents thereby conferred, or if only one be present, then such powers may be exercised by that one; or, if an even number attend and a majority do not agree on any particular issue, each person designated to act as proxy and so attending shall be entitled to exercise such powers in respect of such portion of the shares as is equal to the reciprocal of the fraction equal to the number of persons designated to act as proxies and in attendance divided by the total number of shares represented by such proxies.

SECTION 9. VOTING; ELECTIONS; INSPECTORS. Unless otherwise required by law or provided in the Articles of Incorporation, each shareholder shall on each matter submitted to a vote at a meeting of shareholders have one vote for each share of stock entitled to vote which is registered in his name on the record date for the meeting. For the purposes hereof, each election to fill a directorship shall constitute a separate matter. Shares registered in the name of another corporation, domestic or foreign, or other legal entity may be voted by such officer, agent or proxy as the bylaws (or comparable instrument) of such corporation or other legal entity may prescribe, or in the absence of such provisions, as the Board of Directors (or comparable body) of such corporation or other legal entity may determine. Shares registered in the name of a deceased person may be voted by the executor or administrator of such person's estate, either in person or by proxy.

All voting, except as required by the Articles of Incorporation or where otherwise required by law, may be by a voice vote; provided, however, upon request of the chairman of the meeting or upon demand therefor by shareholders holding a majority of the issued and outstanding shares present in person or by proxy at any meeting, a stock vote shall be taken. Every stock vote shall be taken by written ballots, each of which shall state the name of the shareholder or proxy voting and such other information as may be required under the procedure established for the meeting. All elections of directors shall be by written ballots, unless otherwise provided in the Articles of Incorporation.

In advance of any meeting of shareholders, the Chairman of the Board, the Vice Chairman of the Board, the President or the Board of Directors shall appoint one or more inspectors, each of whom shall subscribe an oath or affirmation to execute faithfully the duties of inspector at such meeting with strict impartiality and according to the best of such inspector's ability. Such inspector(s) shall receive the written ballots, count the votes, make and sign a certificate of the result thereof and take such further action as may be required of the inspector(s) under the laws of the State of Oregon. The Chairman of the Board, the Vice Chairman of the Board, the President or the Board of Directors may appoint any person to serve as inspector, except no candidate for the office of director shall be appointed as an inspector.

Unless otherwise provided in the Articles of Incorporation, cumulative voting for the election of directors shall be prohibited.

SECTION 10. CONDUCT OF MEETINGS. The meetings of the shareholders shall be presided over by the Chairman of the Board, or if the Chairman of the Board is not present, by the President, or if the President is not present, by the Vice Chairman of the Board, or if none of the Chairman of the Board, the President and the Vice Chairman of the Board is present, by a chairman elected at the meeting. The Secretary of the Corporation, if present, shall act as secretary of such meetings, or if the Secretary is not present, the Deputy Corporate Secretary or an Assistant Secretary shall so act; if none of the Secretary, the Deputy Corporate Secretary and an Assistant Secretary is present, then a secretary shall be appointed by the chairman of the meeting. The chairman of any meeting of shareholders shall determine the order of business and, subject to the requirements of the laws of the State of Oregon, the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to the chairman in order.

SECTION 11. VOTING OF CERTAIN SHARES. No other corporation of which the Corporation owns a majority of the shares entitled to vote in the election of directors of such other corporation shall vote, directly or indirectly, shares of the Corporation's stock owned by such other corporation, and such shares shall not be counted for quorum purposes. Nothing in this Section 11 shall be construed as limiting the right of the Corporation to vote shares, including but not limited to its own shares, held by it in a fiduciary capacity.

SECTION 12. ACTION WITHOUT MEETING. Unless otherwise provided in the Articles of Incorporation, any action permitted or required by law, the Articles of Incorporation or these Bylaws to be taken at a meeting of shareholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote thereon and shall be delivered to the Corporation by delivery to its registered office in the state of incorporation, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of shareholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

Every written consent shall bear the date of signature of each shareholder who signs the consent, and no written consent shall be effective to take the corporate action referred to therein unless, written consents signed by all shareholders are delivered to the Corporation in the manner required by this Section 12 within sixty (60) days of the earliest dated consent. Any action taken by written consent is effective when the last shareholder signs, unless the consent specifies an earlier or later date.

SECTION 13. BUSINESS TO BE BROUGHT BEFORE THE ANNUAL MEETING. To be properly brought before the annual meeting of shareholders, business must be either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a shareholder of the Corporation who is a shareholder of record at the time of giving of notice provided for in this Section 13, who shall be entitled to vote at such meeting and who complies with the notice procedures set forth in this Section 13. In addition to any other applicable requirements, for business to be brought before an annual meeting by a shareholder of the Corporation, the shareholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 120 days prior to the anniversary date of the proxy statement for the preceding annual meeting of shareholders of the Corporation. A shareholder's notice to the Secretary shall set forth as to each matter (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the Corporation's books, of the shareholder proposing such business, (iii) the acquisition date, the class and the number of shares of voting stock of the Corporation which are owned beneficially by the shareholder, (iv) any material interest of the shareholder in such business, and (v) a representation that the shareholder intends to appear in person or by proxy at the meeting to bring the proposed business before the meeting.

Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this Section 13.

The chairman of the annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 13, and if the chairman should so determine, the chairman shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

Notwithstanding the foregoing provisions of this Section 13, a shareholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section 13.

Article III

BOARD OF DIRECTORS

SECTION 1. POWER; NUMBER; TERM OF OFFICE. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, and subject to the restrictions imposed by law or the Articles of Incorporation, the Board of Directors may exercise all the powers of the Corporation.

The number of directors that shall constitute the whole Board of Directors shall be determined from time to time by the Board of Directors (provided that no decrease in the number of directors which would have the effect of shortening the term of an incumbent director may be made by the Board of Directors). If the Board of Directors makes no such determination, the number of directors shall be three. Each director shall hold office until such director's successor shall have been elected and qualified or until such director's earlier death, resignation or removal.

Unless otherwise provided in the Articles of Incorporation, directors need not be shareholders nor residents of the State of Oregon.

SECTION 2. ADVISORY DIRECTORS AND DIRECTORS EMERITUS. The Board of Directors by a vote of a majority of the directors present and entitled to vote, at any regular or special meeting at which a quorum is present, may designate such number of persons as it may from time to time determine as an "Advisory Director" or may designate a former member of the Board as a "Director Emeritus," if such former member is willing to serve. Each Advisory Director and each Director Emeritus shall serve, subject to the pleasure of the Board of Directors, until the earlier of his resignation, the term set forth by the Board of Directors for such service or until the next succeeding annual meeting of the Board of Directors, following the annual meeting of the shareholders, at which such regular directors are elected. Each Advisory Director and each Director Emeritus shall be notified of all regular or special meetings of the Board of Directors, shall be entitled to attend and participate therein, but shall not be entitled to vote. Each Advisory Director and each Director Emeritus shall be entitled to fees for serving as an Advisory Director or Director Emeritus, as the case may be, as determined by majority vote of the directors present and entitled to vote, at any regular or special meeting at which a quorum is present. Each Advisory Director and each Director Emeritus shall also be reimbursed for any necessary expenses of attending directors' meetings.

An Advisory Director or Director Emeritus may serve in an advisory capacity on any committees adopted by resolution of a majority of the whole Board of Directors, but such Advisory Director or Director Emeritus shall have no power to vote or to exercise the powers of the Board of Directors or any regular director on such committees or in the business or affairs of the Corporation and shall not be included in determining the requisite number of "directors" that are required to constitute and to serve on any such committees as provided in Article IV of these Bylaws.

Any person serving as an Advisory Director or Director Emeritus shall be treated as a "director" for purposes of the provisions set forth in Article VII.

SECTION 3. QUORUM; VOTING. Unless otherwise provided in the Articles of Incorporation, a majority of the total number of directors shall constitute a quorum for the transaction of business of the Board of Directors and the vote of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

SECTION 4. PLACE OF MEETINGS; ORDER OF BUSINESS. The directors may hold their meetings and may have an office and keep the books of the Corporation, except as otherwise provided by law, in such place or places, within or without the State of Oregon, as the Board of Directors may from time to time determine. At all meetings of the Board of Directors business shall be transacted in such order as shall from time to time be determined by the Chairman of the Board, or in the Chairman of the Board's absence by the President (should the President be a director), or in the President's absence by the Vice Chairman of the Board, or by the Board of Directors.

SECTION 5. FIRST MEETING. Each newly elected Board of Directors may hold its first meeting for the purpose of organization and the transaction of business, if a quorum is present, immediately after and at the same place as the annual meeting of the shareholders. Notice of such meeting shall not be required. At the first meeting of the Board of Directors in each year at which a quorum shall be present, held next after the annual meeting of shareholders, the Board of Directors shall elect the officers of the Corporation.

SECTION 6. REGULAR MEETINGS. Regular meetings of the Board of Directors shall be held at such times and places as shall be designated from time to time by the Chairman of the Board or, in the absence of the Chairman of the Board, by the President (should the President be a director), or in the President's absence, by the Vice Chairman of the Board, or by the Board of Directors. Notice of such regular meetings shall not be required.

SECTION 7. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the Chairman of the Board, the President (should the President be a director), the Vice Chairman of the Board or, on the written request of any two directors, by the Secretary, in each case on at least twenty-four (24) hours personal, written, telegraphic, cable or wireless notice to each director. Such notice, or any waiver thereof pursuant to Section 3 of Article VIII, need not state the purpose or purposes of such meeting, except as may otherwise be required by law or provided for in the Articles of Incorporation or these Bylaws. Meetings may be held at any time without notice if all the directors are present or if those not present waive notice of the meeting in writing.

SECTION 8. NOMINATION OF DIRECTORS. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors, except as otherwise provided in Section 10 of this Article III. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of shareholders (a) by or at the direction of the Board of Directors or (b) by any shareholder of the Corporation who is a shareholder of record at the time of giving of notice provided for in this Section 8, who shall be entitled to vote for the election of directors at the meeting and who complies with the notice procedures set forth in this Section 8. Such

nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation. To be timely, a shareholder's notice shall be delivered to or mailed and received at the principal executive offices of the Corporation (i) with respect to an election to be held at the annual meeting of the shareholders of the Corporation, 120 days prior to the anniversary date of the proxy statement for the immediately preceding annual meeting of shareholders of the Corporation, and (ii) with respect to an election to be held at a special meeting of shareholders of the Corporation for the election of directors, not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or public disclosure of the date of the meeting was made, whichever first occurs. Such shareholder's notice to the Secretary shall set forth (a) as to each person whom the shareholder proposes to nominate for election or re-election as a director, all information relating to the person that is required to be disclosed in solicitations for proxies for election of directors, or is otherwise required, pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including the written consent of such person to be named in the proxy statement as a nominee and to serve as a director if elected); and (b) as to the shareholder giving the notice (i) the name and address, as they appear on the Corporation's books, of such shareholder, and (ii) the class and number of shares of capital stock of the Corporation which are beneficially owned by the shareholder. At the request of any officer of the Corporation, any person nominated by the Board of Directors for election as a director shall furnish to the Secretary of the Corporation that information required to be set forth in a shareholder's notice of nomination which pertains to the nominee.

In the event that a person is validly designated as nominee to the Board and shall thereafter become unable or unwilling to stand for election to the Board of Directors, the Board of Directors or the shareholder who proposed such nominee, as the case may be, may designate a substitute nominee.

Except as otherwise provided in Section 10 of this Article III, no person shall be eligible to serve as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 8. The chairman of the meeting of shareholders shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by the Bylaws, and if the chairman should so determine, the chairman shall so declare to the meeting and the defective nomination shall be disregarded.

Notwithstanding the foregoing provisions of this Section 8, a shareholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section 8.

SECTION 9. REMOVAL. Any director or the entire Board of Directors may be removed, with or without cause by the holders of a majority of the shares then entitled to vote at an election of directors; provided that, with respect to the removal without cause of a director or directors elected by the holders of any class or series entitled to elect one or more directors, only the holders of outstanding shares of that class or series shall be entitled to vote on such removal.

SECTION 10. VACANCIES; INCREASES IN THE NUMBER OF DIRECTORS.

Unless otherwise provided in the Articles of Incorporation, vacancies existing on the Board of Directors for any reason and newly created directorships resulting from any increase in the authorized number of directors to be elected by all of the shareholders having the right to vote as a single class may be filled by the affirmative vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director; and any director so chosen shall hold office until the next annual election and until such director's successor shall have been elected and qualified, or until such director's earlier death, resignation or removal.

SECTION 11. COMPENSATION. Directors and members of standing

committees may receive such compensation as the Board of Directors from time to time shall determine to be appropriate, and shall be reimbursed for all reasonable expenses incurred in attending and returning from meetings of the Board of Directors.

SECTION 12. ACTION WITHOUT A MEETING; TELEPHONE CONFERENCE

MEETINGS. Unless otherwise restricted by the Articles of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors, or any committee designated by the Board of Directors, may be taken without a meeting if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee. Such consent shall have the same force and effect as a unanimous vote at a meeting and may be stated as such in any document or instrument filed with the Secretary of State of the State of Oregon.

Unless otherwise restricted by the Articles of Incorporation, subject to the requirement for notice of meetings, members of the Board of Directors or members of any committee designated by the Board of Directors may participate in a meeting of such Board of Directors or committee, as the case may be, by means of a conference telephone connection or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in such a meeting shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

SECTION 13. APPROVAL OR RATIFICATION OF ACTS OR CONTRACTS BY

SHAREHOLDERS. The Board of Directors in its discretion may submit any act or contract for approval or ratification at any annual meeting of the shareholders, or at any special meeting of the shareholders called for the purpose of considering any such act or contract, and any act or contract that shall be approved or be ratified by the affirmative vote of the holders of a majority of the voting power attributable to such shares so present or represented and voting at such meeting of shareholders (provided that a quorum is present) shall be as valid and as binding upon the Corporation and upon all the shareholders as if it has been approved or ratified by every shareholder of the Corporation.

## Article IV

### COMMITTEES

SECTION 1. EXECUTIVE COMMITTEE. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate an Executive Committee consisting of two or more of the directors of the Corporation, one of whom shall be designated chairman of the Executive Committee. During the intervals between the meetings of the Board of Directors, the Executive Committee shall possess and may exercise all the powers of the Board of Directors, except as provided in Section 6 of this Article IV. The Executive Committee shall also have, and may exercise, all the powers of the Board of Directors, except as aforesaid, whenever a quorum of the Board of Directors shall fail to be present at any meeting of the Board.

SECTION 2. AUDIT COMMITTEE. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate an Audit Committee consisting of two or more of the directors of the Corporation, one of whom shall be designated chairman of the Audit Committee. The Audit Committee shall have and may exercise such powers and authority as provided in the resolution creating it and as determined from time to time by the Board of Directors, except as provided in Section 6 of this Article IV.

SECTION 3. OTHER COMMITTEES. The Board of Directors may, by resolution passed from time to time by a majority of the whole Board of Directors, designate such other committees as it shall see fit consisting of two or more of the directors of the Corporation, one of whom shall be designated chairman of each such committee. Any such committee shall have and may exercise such powers and authority as provided in the resolution creating it and as determined from time to time by the Board of Directors, except as provided in Section 6 of this Article IV.

SECTION 4. PROCEDURE; MEETINGS; QUORUM. Any committee designated pursuant to this Article IV shall keep regular minutes of its actions and proceedings in a book provided for that purpose and report the same to the Board of Directors at its meeting next succeeding such action, shall fix its own rules or procedures, and shall meet at such times and at such place or places as may be provided by such rules, or by such committee or the Board of Directors. Should a committee fail to fix its own rules, the provisions of these Bylaws, pertaining to the calling of meetings and conduct of business by the Board of Directors, shall apply as nearly as practicable. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum, except as provided in Section 5 of this Article IV, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any resolution.

SECTION 5. SUBSTITUTION AND REMOVAL OF MEMBERS; VACANCIES. The Board of Directors may designate one or more directors as alternate members of any committee who may replace any absent or disqualified member at any meeting of such committee. The Board of Directors shall have the power at any time to remove any member(s) of a

committee  
and to appoint other directors in lieu of the person(s) so removed and shall also have the power to fill vacancies in a committee.

SECTION 6. LIMITATION ON POWER AND AUTHORITY OF COMMITTEES. No committee of the Board of Directors shall have the power or authority of the Board of Directors to:

(a) authorize distributions, except as may be permitted by paragraph (g) hereof;

(b) approve or propose to shareholders actions that are required under the Oregon Business Corporation Act to be approved by shareholders;

(c) fill vacancies on the Board of Directors or on any of its committees;

(d) amend the Articles of Incorporation pursuant to Oregon Revised Statutes Section 60.434, except as may be necessary to document a determination of the relative rights, preferences and limitations of a class or series of shares by a committee or an officer of the Corporation as permitted by paragraph (h) hereof;

(e) adopt, amend or repeal these Bylaws;

(f) approve a plan of merger not requiring shareholder approval;

(g) authorize or approve reacquisition of shares, except within limits prescribed by the Board of Directors; or

(h) authorize or approve the issuance or sale or contract for sale of shares or determine the designation and relative rights, preferences and limitations of a class or series of shares, except that the Board of Directors may authorize a committee or an officer of the Corporation to do so (i) pursuant to a stock option or other stock compensation plan, or (ii) by approving the maximum number of shares to be issued and delegating the authority to determine all or any part of the terms of the issuance or sale or contract of sale and the designation and relative rights, preferences and limitations of the class or series of shares.

#### Article V

#### OFFICERS

SECTION 1. NUMBER, TITLES AND TERM OF OFFICE. The officers of the Corporation shall be a Chairman of the Board, a President, one or more Vice Presidents (any one or more of whom may be designated Executive Vice President or Senior Vice President), a Treasurer, a Secretary, a General Counsel and such other officers as the Board of Directors may from time to time elect or appoint (including, but not limited to, a Vice Chairman of the Board, a Deputy Corporate Secretary, one or more Assistant Secretaries and one or more Assistant Treasurers). Each officer shall hold office until such officer's successor shall be duly elected and shall qualify or until such officer's death or until such

officer shall resign or shall have been removed. Any number of offices may be held by the same person, unless the Articles of Incorporation provide otherwise. Except for the Chairman of the Board and the Vice Chairman of the Board, no officer need be a director.

SECTION 2. POWERS AND DUTIES OF THE CHAIRMAN OF THE BOARD. The Chairman of the Board shall preside at all meetings of the shareholders and of the Board of Directors; and he shall have such other powers and duties as designated in these bylaws and as from time to time may be assigned to him by the Board of Directors.

SECTION 3. POWERS AND DUTIES OF THE CHIEF EXECUTIVE OFFICER. The Chairman of the Board shall be the chief executive officer of the Corporation unless the Board of Directors designates the President as chief executive officer. Subject to the control of the Board of Directors and the executive committee (if any), the chief executive officer shall have general executive charge, management and control of the properties, business and operations of the Corporation with all such powers as may be reasonably incident to such responsibilities; may agree upon and execute all leases, contracts, evidences of indebtedness and other obligations in the name of the Corporation and may sign all certificates for shares of capital stock of the Corporation; and shall have such other powers and duties as designated in accordance with these Bylaws and as from time to time may be assigned to the chief executive officer by the Board of Directors.

SECTION 4. POWERS AND DUTIES OF THE PRESIDENT. Unless the Board of Directors otherwise determines, the President shall have the authority to agree upon and execute all leases, contracts, evidences of indebtedness and other obligations in the name of the Corporation; and, unless the Board of Directors otherwise determines, the President shall, in the absence of the Chairman of the Board or if there be no Chairman of the Board, preside at all meetings of the shareholders and (should the President be a director) of the Board of Directors; and the President shall have such other powers and duties as designated in accordance with these Bylaws and as from time to time may be assigned to the President by the Board of Directors or the Chairman of the Board.

SECTION 5. POWERS AND DUTIES OF THE VICE CHAIRMAN OF THE BOARD. The Board of Directors may assign areas of responsibility to the Vice Chairman of the Board, and, in such event, and subject to the overall direction of the Chairman of the Board and the Board of Directors, the Vice Chairman of the Board shall be responsible for supervising the management of the affairs of the Corporation and its subsidiaries within the area or areas assigned and shall monitor and review on behalf of the Board of Directors all functions within the corresponding area or areas of the Corporation and each such subsidiary of the Corporation. In the absence of the President, or in the event of the President's inability or refusal to act, the Vice Chairman of the Board shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. Further, the Vice Chairman of the Board shall have such other powers and duties as designated in accordance with these Bylaws and as from time to time may be assigned to the Vice Chairman of the Board by the Board of Directors or the Chairman of the Board.

SECTION 6. VICE PRESIDENTS. Subject to any restrictions that may be imposed by the Board of Directors, each Vice President shall at all times possess power to sign all

certificates, contracts and other instruments of the Corporation, except as otherwise limited in writing by the Chairman of the Board, the President or the Vice Chairman of the Board of the Corporation. Each Vice President shall have such other powers and duties as from time to time may be assigned to such Vice President by the Board of Directors, the Chairman of the Board, the President or the Vice Chairman of the Board.

SECTION 7. GENERAL COUNSEL. The General Counsel shall act as chief legal advisor to the Corporation. The General Counsel may have one or more staff attorneys and assistants, and may retain other attorneys to conduct the legal affairs and litigation of the Corporation under the General Counsel's supervision.

SECTION 8 SECRETARY. The Secretary shall keep the minutes of all meetings of the Board of Directors, committees of the Board of Directors and the shareholders, in books provided for that purpose; shall attend to the giving and serving of all notices; may in the name of the Corporation affix the seal of the Corporation to any contract of the Corporation and attest the affixation of the seal of the Corporation thereto; may sign with the other appointed officers all certificates for shares of capital stock of the Corporation; shall have charge of the certificate books, transfer books and stock ledgers, and such other books and papers as the Board of Directors may direct, all of which shall at all reasonable times be open to inspection of any director upon application at the office of the Corporation during business hours; shall have such other powers and duties as designated in these Bylaws and as from time to time may be assigned to the Secretary by the Board of Directors, the Chairman of the Board, the President or the Vice Chairman of the Board; and shall in general perform all acts incident to the office of Secretary, subject to the control of the Board of Directors, the Chairman of the Board, the President or the Vice Chairman of the Board.

SECTION 9. DEPUTY CORPORATE SECRETARY AND ASSISTANT SECRETARIES. The Deputy Corporate Secretary and each Assistant Secretary shall have the usual powers and duties pertaining to such offices, together with such other powers and duties as designated in these Bylaws and as from time to time may be assigned to the Deputy Corporate Secretary or an Assistant Secretary by the Board of Directors, the Chairman of the Board, the President, the Vice Chairman of the Board or the Secretary. The Deputy Corporate Secretary shall exercise the powers of the Secretary during that officer's absence or inability or refusal to act.

SECTION 10. TREASURER. Subject to any restrictions that may be imposed by the Board of Directors, the Treasurer shall have responsibility for the custody and control of all the funds and securities of the Corporation, and shall have such other powers and duties as designated in these Bylaws and as from time to time may be assigned to the Treasurer by the Board of Directors, the Chairman of the Board, the President or the Vice Chairman of the Board. The Treasurer shall perform all acts incident to the position of Treasurer, subject to the control of the Board of Directors, the Chairman of the Board, the President and the Vice Chairman of the Board; and the Treasurer shall, if required by the Board of Directors, give such bond for the faithful discharge of the Treasurer's duties in such form as the Board of Directors may require.

SECTION 11. ASSISTANT TREASURERS. Each Assistant Treasurer shall have the usual powers and duties pertaining to such office, together with such other powers and duties as designated in these Bylaws and as from time to time may be assigned to each Assistant Treasurer by the Board of Directors, the Chairman of the Board, the President, the Vice Chairman of the Board or the Treasurer. Any Assistant Treasurer may exercise the powers of the Treasurer during that officer's absence or inability or refusal to act.

SECTION 12. ACTION WITH RESPECT TO SECURITIES OF OTHER CORPORATIONS. Unless otherwise directed by the Board of Directors, the Chairman of the Board, the President or the Vice Chairman of the Board, together with the Secretary, the Deputy Corporate Secretary or any Assistant Secretary shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of security holders of or with respect to any action of security holders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

SECTION 13. DELEGATION. For any reason that the Board of Directors may deem sufficient, the Board of Directors may, except where otherwise provided by statute, delegate the powers or duties of any officer to any other person, and may authorize any officer to delegate specified duties of such officer to any other person. Any such delegation or authorization by the Board shall be effected from time to time by resolution of the Board of Directors.

#### Article VI

#### CAPITAL STOCK

SECTION 1. CERTIFICATES OF STOCK. The certificates for shares of the capital stock of the Corporation shall be in such form, not inconsistent with that required by law and the Articles of Incorporation, as shall be approved by the Board of Directors. Every holder of shares represented by certificates shall be entitled to have a certificate signed by or in the name of the Corporation by the Chairman of the Board, President, Vice Chairman of the Board or a Vice President and the Secretary, Deputy Corporate Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer of the Corporation representing the number of shares (and, if the shares of the Corporation shall be divided into classes or series, certifying the class and series of such shares) owned by such shareholder which are registered in certified form; provided, however, that any of or all the signatures on the certificate may be facsimile. The stock record books and the blank stock certificate books shall be kept by the Secretary, or at the office of such transfer agent or transfer agents as the Board of Directors may from time to time determine. In case any officer, transfer agent or registrar who shall have signed or whose facsimile signature or signatures shall have been placed upon any such certificate or certificates shall have ceased to be such officer, transfer agent or registrar before such certificate is issued by the Corporation, such certificate may nevertheless be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The stock certificates shall be consecutively numbered and shall be entered in the books of the Corporation as they are issued and shall exhibit the holder's name and number of shares.

SECTION 2. TRANSFER OF SHARES. The shares of stock of the Corporation shall be transferable only on the books of the Corporation by the holders thereof in person or by their duly authorized attorneys or legal representatives upon surrender and cancellation of certificates for a like number of shares. Upon surrender to the Corporation or a transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

SECTION 3. OWNERSHIP OF SHARES. The Corporation shall be entitled to treat the holder of record of any share or shares of capital stock of the Corporation as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Oregon.

SECTION 4. REGULATIONS REGARDING CERTIFICATES. The Board of Directors shall have the power and authority to make all such rules and regulations as they may deem expedient concerning the issue, transfer and registration or the replacement of certificates for shares of capital stock of the Corporation.

SECTION 5. LOST OR DESTROYED CERTIFICATES. The Board of Directors may determine the conditions upon which the Corporation may issue a new certificate for shares in place of a certificate theretofore issued by it which is alleged to have been lost, stolen or destroyed and may require the owner of such certificate or such owner's legal representative to give bond, with surety sufficient to indemnify the Corporation and each transfer agent and registrar against any and all losses or claims which may arise by reason of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate in the place of the one so lost, stolen or destroyed.

#### Article VII

##### LIABILITY OF DIRECTORS AND INDEMNIFICATION

SECTION 1. PERSONAL LIABILITY OF DIRECTORS. A director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for conduct as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for any unlawful distribution under Oregon Revised Statutes Section 60.367, or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or amendment of this provision shall be prospective only and shall not adversely affect any limitation on the liability of a director of the Corporation existing at the time of such repeal or amendment. In addition to the circumstances in which a director of the Corporation is not liable as set forth in the foregoing provisions, a director shall not be liable to the fullest extent permitted by any provisions of the statutes of Oregon hereafter enacted that further limits the liability of a director.

SECTION 2. INDEMNIFICATION. Each person who was or is made a party to, or is threatened to be made a party to, or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "Proceeding"), by reason of the fact that he or she, or a person of which he or she is the legal representative, is or was a director or officer, of the Corporation or is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer, partner, trustee, employee or agent or in any other capacity while serving as a director, officer, partner, trustee, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Oregon Business Corporation Act, as the same exists or may hereafter be amended (but, in the case of any such amendments, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to serve in a capacity to which the above indemnification applies and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in this Section 2, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section 2 shall be a contract right and shall include the right to be paid by the Corporation for expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Oregon Business Corporation Act requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of the proceeding, such payment of expenses shall be made only upon delivery to the Corporation of a written affirmation of the director or officer's good faith belief that such director has met the standard of conduct described in Oregon Revised Statutes Section 60.391 and of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately to be determined that such director or officer is not entitled to be indemnified under this Section 2 or otherwise. The Corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the Corporation not covered by the foregoing with the same scope and effect as the foregoing indemnification of directors and officer.

If a claim under this Section 2 is not paid in full by the Corporation within thirty (30) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in

advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the Oregon Business Corporation Act for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Oregon Business Corporation Act, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section 2 shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Articles of Incorporation, bylaw, agreement, vote of shareholders or disinterested directors or otherwise.

The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Oregon Business Corporation Act.

The provisions of this Section 2 shall be effective as of July 1, 1997, to the extent that this Section 2 (i) provides broader indemnification rights than those contained in the bylaws in effect prior to May 1, 1998, the date of adoption of these bylaws, or (ii) provides indemnification rights to persons not covered by the bylaws in effect prior to May 1, 1998.

#### Article VIII

##### MISCELLANEOUS PROVISIONS

SECTION 1. FISCAL YEAR. The fiscal year of the Corporation shall end on the last day of December of each year.

SECTION 2. CORPORATE SEAL. The corporate seal shall be circular in form and shall have inscribed thereon the name of the Corporation and the state of its incorporation, which seal shall be in the charge of the Secretary and shall be affixed to certificates of stock, debentures, bonds, and other documents, in accordance with the direction of the Board of Directors, and as may be required by law; however, the Secretary may, if the Secretary deems it expedient, have a facsimile of the corporate seal inscribed on any such certificates of stock, debentures, bonds, contracts or other documents. Duplicates of the seal may be kept for use by the Deputy Corporate Secretary or any Assistant Secretary.

SECTION 3. NOTICE AND WAIVER OF NOTICE. Whenever any notice is required to be given by law, the Articles of Incorporation or these Bylaws, said notice shall be deemed to be sufficient if given (i) by telegraphic, cable or wireless transmission (including by telecopy or facsimile transmission) or (ii) by deposit of the same in a post office box or by delivery to an overnight courier service company in a sealed prepaid wrapper addressed to the person entitled thereto at such person's post office address, as it appears on the records of the Corporation, and such notice shall be deemed to have been given on the day of such transmission or mailing or delivery to courier, as the case may be.

Whenever notice is required to be given by law, the Articles of Incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person, including without limitation a director, at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the shareholders, directors or members of a committee of directors need be specified in any written waiver of notice unless so required by the Articles of Incorporation or these Bylaws.

SECTION 4. FACSIMILE SIGNATURES. In addition to the provisions for the use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors.

SECTION 5. RELIANCE UPON BOOKS, REPORTS AND RECORDS. A member of the Board of Directors, or a member of any committee designated by the Board of Directors, shall, in the performance of such person's duties, be fully protected in relying in good faith upon the records of the Corporation and upon such information, opinion, reports or statements presented to the Corporation by any of the Corporation's officers or employees, or committees of the Board of Directors, or by any other person as to matters the member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

SECTION 6. APPLICATION OF BYLAWS. In the event that any provisions of these Bylaws is or may be in conflict with any law of the United States, of the State of Oregon or of any other governmental body or power having jurisdiction over this Corporation, or over the subject matter to which such provision of these Bylaws applies, or may apply, such provision of these Bylaws shall be inoperative to the extent only that the operation thereof unavoidably conflicts with such law and shall in all other respects be in full force and effect.

Article IX

AMENDMENTS

The Board of Directors may amend or repeal the Corporation's Bylaws unless: (a) the Articles of Incorporation reserve the power exclusively to the shareholders in whole or in part, or (b) the shareholders in amending or repealing a particular Bylaw provide expressly that the Board of Directors may not amend or repeal that Bylaw. The Corporation's shareholders may amend or repeal the Corporation's Bylaws even though the Bylaws may also be amended or repealed by the Board of Directors.



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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS FILED ON FORM 10-K FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1998 FOR PORTLAND GENERAL ELECTRIC COMPANY AND SUBSIDIARIES (PGE) AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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0000784977  
PORTLAND GENERAL ELECTRIC COMPANY

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DEC-31-1998		
DEC-31-1998		
PER-BOOK		
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		3,162
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	480	
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		1
1,186		
3,162		
	1,176	
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	200	
		12
212		
	75	
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	2	
135		
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	265	
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Represents the 12 month-to-date figure ending December 31, 1998.