

SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549  
 FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
 SECURITIES EXCHANGE ACT OF 1934  
 For the fiscal year ended DECEMBER 31, 1996

Registrant; State of Incorporation; IRS Employer

COMMISSION FILE NUMBER	ADDRESS; AND TELEPHONE NUMBER	IDENTIFICATION NO.
1-5532	PORTLAND GENERAL CORPORATION (an Oregon Corporation) 121 SW Salmon Street Portland, Oregon 97204 (503) 464-8820	93-0909442
1-5532-99	PORTLAND GENERAL ELECTRIC COMPANY (an Oregon Corporation) 121 SW Salmon Street Portland, Oregon 97204 (503) 464-8000	93-0256820

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

TITLE OF EACH CLASS	Name of each exchange ON WHICH REGISTERED
Portland General Corporation Common Stock, \$3.75 par value per share	New York Stock Exchange Pacific Stock Exchange
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:

Portland General Corporation  
None

Portland General Electric Company,  
7.75% Series, Cumulative Preferred Stock, no par value

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. [ X ]

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 X No \_\_\_\_\_.

The aggregate market value of Portland General Corporation voting stock held by non-affiliates of the registrant as of February 28, 1997 (based on the last sales price on the New York Stock Exchange as of such date) was \$2 billion.

The number of shares outstanding of the registrants' common stocks as of February 28, 1997 was:

Portland General Corporation	51,391,536
Portland General Electric Company (owned by Portland General Corporation)	42,758,877

DOCUMENT INCORPORATED BY REFERENCE

The information required to be included in Part III hereof is incorporated by reference from Portland General Corporation's definitive proxy statement to be

filed on or about May 27, 1997.

## DEFINITIONS

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

### Abbreviations OR ACRONYMS

### TERM

Beaver.....	Beaver Combustion Turbine Plant
Bethel.....	Bethel Combustion Turbine Plant
Boardman.....	Boardman Coal Plant
Bonneville Pacific.....	Bonneville Pacific Corporation
BPA.....	Bonneville Power Administration
Centralia.....	Centralia Coal Plant
COB.....	California/Oregon Border
Colstrip.....	Colstrip Units 3 and 4 Coal Plant
Coyote Springs.....	Coyote Springs Generation Plant
CUB.....	Citizen's Utility Board
CWL.....	Columbia Willamette Leasing, Inc.
DEQ.....	Oregon Department of Environmental Quality
EFSC.....	Oregon Energy Facility Siting Counsel
Enron.....	Enron Corp
EPA.....	Environmental Protection Agency
FASB.....	Financial Accounting Standards Board
FERC.....	Federal Energy Regulatory Commission
Financial Statements.....	Refers to Financial Statements of Portland General included in Part II, Item 8 of this report.
Holdings.....	Portland General Holdings, Inc.
Intertie.....	Pacific Northwest Intertie Transmission Line
IOUs.....	Investor-Owned Utilities
IRS.....	Internal Revenue Service
kWh.....	Kilowatt-Hour
MMBtu.....	Million British thermal units
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
Portland General or PGC.....	Portland General Corporation
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
WPPSS or Supply System.....	Washington Public Power Supply System
Trojan.....	Trojan Nuclear Plant
Tule.....	Tule Hub Services Company
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

TABLE OF CONTENTS

PAGE

Definitions..... 3

PART I

Item 1. Business..... 5  
     Portland General Corporation..... 5  
     Portland General Electric Company..... 5  
     Portland General Holdings, Inc..... 16

Item 2. Properties..... 17

Item 3. Legal Proceedings..... 19

Item 4. Submission of Matters to a Vote of Security  
 Holders..... 20  
     Executive Officers of the Registrant..... 21

PART II

Item 5. Market for Registrant's Common Equity and  
 Related Stockholder Matters..... 22

Item 6. Selected Financial Data..... 23

Item 7. Management's Discussion and Analysis of Financial  
 Condition and Results of Operations..... 24

Item 8. Financial Statements and Supplementary Data..... 35

Item 9. Changes in and Disagreements with Accountants on  
 Accounting and Financial Disclosure..... 55

PART III

Item 10. Directors and Executive Officers of the Registrant..... 55

Item 11. Executive Compensation..... 55

Item 12. Security Ownership of Certain Beneficial Owners  
 and Management..... 55

Item 13. Certain Relationships and Related Transactions..... 55

PART IV

Item 14. Exhibits, Financial Statement Schedules and  
 Reports on Form 8-K..... 55

Signatures..... 57

Exhibit Index..... 59

Appendix - PGE Financial Information..... 65

## PART I

### ITEM 1. BUSINESS

#### PORTLAND GENERAL CORPORATION - HOLDING COMPANY

##### GENERAL

Portland General Corporation (Portland General or PGC), an electric utility holding company, was organized in December 1985. Portland General Electric Company (PGE or the Company), an electric utility company and Portland General's principal operating subsidiary, accounts for substantially all of Portland General's assets, revenues and net income. Portland General is also the parent company of Portland General Holdings, Inc. (Holdings), which provides organizational separation for Portland General's nonutility businesses (see page 16). Portland General is exempt from regulation under the Public Utility Holding Company Act of 1935, except Section 9(a)(2) thereof relating to the acquisition of securities of other public utility companies.

As of December 31, 1996, Portland General and its subsidiaries had 2,649 employees compared to 2,562 and 2,536 at December 31, 1995 and 1994, respectively.

##### PROPOSED MERGER

During 1996 Portland General entered into an Amended and Restated Agreement and Plan of Merger (Merger Agreement) with Enron Corp (Enron) and Enron Oregon Corp. (New Enron), a wholly-owned subsidiary of Enron. Under the terms of the Merger Agreement Portland General will merge into New Enron (Merger) and each share of

the common stock of Portland General will be converted into one share of the common stock of New Enron. Immediately prior to the consummation of the Merger, Enron will merge into New Enron for the purpose of reincorporating Enron in Oregon (Reincorporation Merger). The Merger Agreement provides that if certain regulatory reforms are enacted, the structure of the transaction contemplated by the Merger Agreement will be revised to eliminate the Reincorporation Merger. The Merger has been approved by both companies' boards of directors, shareholders, and the FERC. However, before the Merger can be completed, approvals and consents must be obtained from the NRC and the OPUC (see Item 7., Management's Discussion and Analysis of Financial Condition and Results of Operations).

#### PORTLAND GENERAL ELECTRIC COMPANY - ELECTRIC UTILITY

##### 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 1996 its service-area population was approximately 1.4 million, constituting approximately 44% of the state's population. At December 31, 1996 PGE served approximately 668,000 customers.

As of December 31, 1996, PGE had 2,587 employees. This compares to 2,533 and 2,502 PGE employees at December 31, 1995 and 1994, respectively.

## OPERATING REVENUES

PGE serves a diverse retail customer base. Residential customers constitute the largest customer class and account for 40% of the retail demand and 44% of retail revenues. Residential demand is highly sensitive to the effects of weather. Commercial customers consume 39% and industrial customers 17% of retail revenues. Since 1994 commercial demand has grown by nearly 10%, making this the Company's most rapidly growing customer class. Despite a 20% increase in sales to high technology customers during 1996, industrial demand decreased nearly 3% in 1996 due to continued production cut backs by both paper manufacturers and metal fabricators. The commercial and industrial classes are not dominated by any single industry. While the 20 largest customers constitute 20% 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 5% of PGE's retail load.

Wholesale revenues continue to make a significant contribution to Company revenues providing over 17% of total operating revenues for 1996. PGE actively markets wholesale power throughout the western United States and has more than tripled its level of sales since 1994. A majority of PGE's wholesale sales were to its traditional customers comprised of IOUs, federal agencies, municipalities and PUDs. However, most of the Company's wholesale growth has come through sales to marketers and brokers, relatively new entrants to the increasingly competitive wholesale electric energy market. These sales are predominantly of a short-term nature.

Sustained revenue growth will be more challenging in future periods. During 1996 PGE worked with the OPUC staff and other interested parties to develop a plan that addressed significant savings resulting from lower natural gas and purchased power prices. This resulted in a \$55 million annual rate reduction effective December 1, 1996. Also, in a move to position for the future, PGE has launched several experimental programs that allow certain of its largest customers to acquire electricity at market based prices. These programs resulted in annual rate reductions of \$15 million.

As the electric utility industry moves toward deregulation retail customers will ultimately have the ability to purchase energy from any electric utility or power supplier. Consequently PGE will have to compete with other energy suppliers for customers within its traditionally exclusive service territory. Increased competition is expected to result in lower prices and less revenue per customer.

While PGE's participation in the wholesale marketplace has resulted in significant increases in wholesale revenues, primarily from short-term transactions, these revenues are also vulnerable to industry changes. FERC mandated open access to transmission facilities, the advent of NYMEX electricity contracts, and the entrance of power marketers, brokers, and independent power producers has resulted in increased competition, reduced margins and increased risks associated with all transactions, especially the long-term ones.

PGE's operating revenues from customers peak during the winter season. The following table summarizes operating revenues and kwh sales for the years ended December 31:

	1996	1995	1994
Operating Revenues (thousands)			
Residential	\$ 426,777	\$379,485	\$360,651
Commercial	345,646	335,607	315,156
Industrial	149,289	153,347	147,347
Public Street Lighting	11,108	11,311	11,205
Tariff Revenues	932,820	879,750	834,359
Accrued (Collected) Revenues	(27,142)	(2,973)	10,644
Retail	905,678	876,777	845,003
Wholesale	193,726	94,967	105,911
Other	10,427	9,884	8,041
Total Operating Revenues	\$1,109,831	\$981,628	\$958,955
Kilowatt-Hours Sold (millions)			
Residential	7,073	6,622	6,704
Commercial	6,475	6,285	6,142
Industrial	3,909	4,056	3,863
Public Street Lighting	102	102	93
Retail	17,559	17,065	16,802
Wholesale	10,188	3,383	2,701
Total kWh Sold	27,747	20,448	19,503

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 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 commence decommissioning activities. Trojan will be subject to NRC regulation until Trojan is fully decommissioned, all nuclear fuel is removed from the site and the license is terminated. The Oregon Department of Energy also monitors Trojan.

## OREGON REGULATORY MATTERS

### INDUSTRY RESTRUCTURING

Historically the OPUC has approached the issues of retail competition on an informal, utility-by-utility basis, rather than through generic, broad-based proceedings. However, in June 1996 the OPUC began an investigation into restructuring the state's electric utility industry by meeting with state utility executives, customers, environmental advocates and other interested parties to discuss how competition in the generation of electric power could be introduced and when to allow customers access to competing power suppliers.

Four specific issues were the focus of subsequent meetings: how an electricity distribution company would operate and be regulated; how energy efficiency and other public purpose programs will be offered and funded in a restructured environment; what treatment is appropriate for utility investment in a generating plant that is no longer economic; and whether vertical integration of electrical utilities should be discouraged or prohibited. The OPUC has stated its intent to use these discussions to prepare itself for action on the competitive initiatives that can be implemented under its direct authority and to work with the legislature in assessing proposals for restructuring.

The staff of the OPUC has recommended that the commission open a proceeding to develop a policy for the treatment of transition costs for electric utilities. Transition or stranded costs are costs a utility would not recover in a fully competitive environment. The proposed issues to be discussed include: how should a utility's transition costs be determined; what portion of these costs should be recovered from customers; and what types of charges should be used for transition cost recovery. Discussions have begun on an informal basis to sort through issues and establish consensus before moving to a more formal process of written comments and a proposed order.

### MARGINAL COST

In February 1997 the OPUC held a prehearing conference to establish a framework for investigating methods for estimating the marginal cost of service for electric utilities. Marginal costs are the cost of adding an additional customer to a utility system. This investigation was prompted by challenges from the CUB that current methods assign too much cost to the residential customer class. The OPUC anticipates adoption of an order in 1997. Specific marginal cost estimates and rate spread and rate decisions will be made in subsequent rate cases and other proceedings as needed.

Retail Price v. Inflation graph comparing  
PGE retail price (cents per KWh) to Portland CPI:

	Retail Price	CPI
1987	4.93	110.9
1988	4.77	114.7
1989	4.69	120.3
1990	4.57	127.4
1991	4.69	134
1992	4.79	139.9
1993	4.86	144.7
1994	4.97	148.9
1995	5.16	153.2
1996	5.31	158.6

### 1996 RATE SETTLEMENT

During 1996 PGE worked with the OPUC staff and other interested parties to develop a plan for dealing with significant savings which resulted from lower natural gas and power purchase prices. This decision resulted in \$55 million in annual rate reductions that began December 1, 1996. The rate reductions will result in an after tax earnings decrease of approximately \$32 million for 1997. In addition, the order incorporated \$15 million in rate reductions previously approved by the OPUC resulting in total 1997 rate reductions of \$70 million.

### TROJAN INVESTMENT RECOVERY

In April 1996 a circuit court judge in Marion County, Oregon found 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. The 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.

The November 1994 ruling, by a different judge of the same court, upheld the Commission's 1993 Declaratory Ruling (DR-10). In DR-10 the OPUC ruled that PGE could recover and earn a return on its undepreciated Trojan investment, provided certain conditions were met. The Commission relied on a 1992 Oregon Department of Justice opinion issued by the Attorney General's office

stating that the Commission had the authority to set prices including recovery of and return on investment in plant that is no longer in service.

The 1994 ruling was appealed to the Oregon Court of Appeals and stayed pending the appeal of the Commission's March 1995 order. Both PGE and the OPUC have separately appealed the April 1996 ruling which was combined with the appeal of the November 1994 ruling at the Oregon Court of Appeals.

For further information regarding the legal challenges to the OPUC's authority to grant recovery for PGE's Trojan investment see Item 3, Legal proceedings.

#### LEAST COST ENERGY PLANNING

In August 1996 the OPUC acknowledged PGE's 1995-1997 Integrated Resource Plan (IRP). The OPUC adopted Least Cost Energy Planning for all energy utilities in Oregon with the goal of selecting the mix of options that yields an adequate and reliable supply of energy at the least cost to the utilities and customers. The 1995-1997 IRP reflects: the recognition that the geographic area PGE presently serves no longer defines its customer base; the accelerated pace of technological change; transition of a key fuel, natural gas, to a market commodity; and the development of a vibrant electricity marketplace. The IRP outlines a strategy which emphasizes: (1) the purchase of energy in the marketplace at competitive prices, (2) acquisition of energy efficiency at reduced levels while maintaining market presence and capability for possible future increases when justified, (3) economical use of existing assets and (4) the use of other supply-side actions, including acquisition of renewable resources.

#### RESIDENTIAL EXCHANGE PROGRAM

The Regional Power Act (RPA), passed in 1980, attempted to resolve growing power supply and cost inequities between customers of government and publicly owned utilities, who have priority access to the low-cost power from the federal hydroelectric system, and the customers of IOUs. The RPA created the residential exchange program which exists to ensure that all residential and farm customers in the region, the vast majority of which are served by IOUs, receive similar benefits from the publicly funded federal power system. Exchange program benefits are passed directly to residential and farm customers. The exchange benefit for PGE residential and small farm customers totaled \$58 million for calendar year 1996. In its 1996 rate case, the BPA initially proposed a \$33 million annual reduction in the exchange benefit beginning October 1, 1996. However, recent congressional legislation partially restored the RPA exchange benefit so that the reduction was only \$14 million for the BPA's 1997 fiscal year. The amount of future residential exchange benefits is among the subjects of current regional discussions regarding BPA's role in the region. PGE and the BPA have engaged in negotiations about the possibility of a BPA buy out and termination of the exchange program.

#### DECOUPLING

An experimental decoupling program adopted by the OPUC set monthly revenue targets associated with retail loads. To the extent weather-adjusted retail revenues exceeded or fell short of target revenues, PGE will refund or collect the difference from customers over an 18-month period. At the end of 1996 PGE's estimated liability to customers was \$5 million. The program expired at the end of 1996.

#### ENERGY EFFICIENCY

PGE has promoted the efficient use of electricity for over two decades and has invested over \$80 million in Demand Side Management (DSM) measures.

Current DSM programs provide a range of services to all classes of PGE customers. These programs seek to capitalize on windows of opportunity in which DSM measures are most cost-effective, such as new residential and commercial construction, and the replacement and renovation markets. PGE continues to provide a weatherization program for eligible low-income families.

PGE recognizes the value of and remains committed to encouraging the efficient use of energy. With the prospect of increased competition and customer choice, PGE is focusing its DSM programs more toward customer needs and wants. PGE is also focusing on developing a regional solution to funding and delivering energy efficiency in a competitive environment.

#### BONDABLE CONSERVATION INVESTMENT

In late 1996, the OPUC designated \$81 million of PGE's energy efficiency investment as Bondable Conservation Investment, pursuant to recent Oregon legislation, and authorized the issuance of conservation bonds collateralized by an OPUC assured future revenue stream. Subsequently, PGE issued a 10 year conservation bond which is expected to provide an estimated \$21 million in present value savings to customers while granting PGE immediate recovery of its energy efficiency program expenditures. The OPUC assured future revenues collected from customers will pay the debt service obligations on the bond.

#### COMPETITION AND MARKETING

##### GENERAL

Recent progress toward greater customer choice and direct access to customers by all competitors has been dramatic and underscores the theme of competition and prospective deregulation in the electric utility industry. The National Energy Policy Act of 1992 (Energy Act) granted the FERC authority to order wholesale wheeling between utilities. In 1996 the FERC issued Order 888 requiring non-discriminatory open access transmission by all public utilities that own interstate transmission. The Energy Act reserved the right to order true "retail wheeling" to the individual states. Retail wheeling is the movement of electric energy produced and sold by another entity over an electric utility's transmission and distribution system to a retail customer in the utility's service territory. Retail wheeling would permit retail customers to purchase electric capacity and energy from any electric utility or power supplier. In 1996 the OPUC began an investigation into restructuring the state's electric utility industry by meeting with state utility executives, customers, environmental advocates and other interested parties. The Governor of Oregon has issued objectives for restructuring and it is expected that several bills proposing retail competition will be introduced during the 1997 Oregon Legislative session.

##### 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 of a loss of PGE service territory to the creation of public utility districts by voters. In the near term much of the Company's business is likely to remain regulated with progress toward increased retail competition taking place in stages. For example, basic residential electric service is likely to remain regulated with competition introduced slowly, while industrial service may see the rapid development of competition. Deregulation of other industries such as telecommunications has led to a host of new suppliers, products and services. The same is expected for the electric industry as more and more groups of customers will have increasing degrees of choice and alternative suppliers from whom to purchase.

Increased competition presents both a threat and an opportunity. Portland General is preparing to meet varying levels of competition from traditional and non-traditional sources in the various retail markets within PGE's service territory as well as throughout the western United States. Much of Portland General's growth potential may no longer be limited by service territory boundaries or activities traditionally subject to regulation. Portland General has begun to look beyond traditional boundaries for opportunities to serve customers with energy related products and services allowable in the current regulated markets and the emerging unregulated markets. For example, Portland General, through a wholly-owned non-regulated subsidiary was recently selected to be the City of Palm Springs new energy services partner in a strategic alliance designed to help the city develop a municipal utility.

PGE will continue to deliver quality electric service within the core markets that make up PGE's current service territory by focusing on traditional values like reliability, cost management, resource acquisition, effective energy efficiency services, safe operations and responsive customer-oriented service. In addition, Portland General, through PGE and new non-regulated subsidiaries, will continue to develop and provide an array of products and services to PGE's existing and prospective customers. This includes power quality-related services and lighting maintenance; power services, such as load following and system control; utility services, such as automated billing services and outage management; and retail services, such as power quality and time-of-day rates.

PGE has implemented several experimental tariff schedules during the past two years that have allowed certain of its larger customers to acquire electricity at market based prices. Eligible customers have the opportunity to purchase energy at prices that reflect actual market conditions. The tariffs are presently limited to a combined 250 MW of participating customer load or 12% of total PGE retail load.

PGE is evaluating a power delivery service tariff which, if approved by the OPUC, will allow large industrial and commercial customers to purchase a portion of their electricity needs from any provider.

In November 1996 Portland General and Enron committed to submit to the OPUC within 60 days of the Merger completion, a plan to open PGE's service area to competition. The plan will allow residential, commercial and industrial customers to choose their energy provider and will include a proposal to separate PGE generating facilities from its transmission and distribution system. In addition, this plan will include a proposal for the treatment of transition or stranded costs. This action will position the generating side of the organization to compete more effectively in an open marketplace, and will allow the distribution side to focus on customer service.

#### WHOLESALE COMPETITION AND MARKETING

During the last few years, the western United States has become a vibrant marketplace for the trading of electricity in which PGE has been an active participant. Wholesale sales continue to contribute to Company revenues. During 1996 PGE's wholesale revenues increased 104% over 1995 levels with wholesale activities accounting for 18% of total revenues and 37% of total sales.

The advent of NYMEX electricity contracts and broker markets has increased price discovery. This, along with the entrance of numerous power marketers, brokers, and independent power producers has reduced margins significantly and increased risks. During 1996, the average price of PGE's wholesale sales decreased 33%.

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 July 1996 and are expected to result in increased competition, lower prices and more choices to wholesale energy customers.

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. Under its open access tariff the Company will lose any competitive advantage it may have had through the use of its transmission assets for wholesale transactions. Open access may provide new opportunities as the Company has equal access to the transmission capabilities of other utilities.

PGE, along with a number of other public and private Northwest utilities and the BPA have signed a memorandum of understanding to create an independent transmission grid operator (IndeGo). Under the agreement, IndeGo would assume responsibility for day to day operation of main transmission lines which are directly owned by the various parties. The parties would maintain ownership of the lines, as well as responsibility for repair and upgrades.

#### POWER SUPPLY

Growth within PGE's service territory as well as its aggressive wholesale marketing plans have 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. Wholesale demand has experienced significant increases. In 1996 alone PGE's wholesale sales increased by over 200%. 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 spot market, or secondary, purchases 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 has enabled PGE to minimize risk and enhance its ability to provide reliable low cost energy to retail

customers. The emergence of NYMEX electricity futures contracts and open transmission are expected to place competitive pressures on the price of short-term power as well as enhance 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 2,119 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. In 1996 generation from PGE's hydroelectric facilities met 9% of the Company's total load. These facilities, operate under federal licenses, which will be up for renewal between the years 2001 and 2006.

#### PURCHASED POWER

PGE has long-term power contracts with four hydro projects on the mid-Columbia River which provide PGE with 590 MW of firm capacity. PGE also has firm contracts, ranging in term from one to 30 years, to purchase 675 MW, primarily hydro-generated, from other Pacific Northwest utilities. In addition, PGE has long-term exchange contracts with summer-peaking Southwest utilities 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.

January reserve margin for WSCC region  
available capability less peak load (megawatts & percent)

	MEGAWATTS	PERCENT
1992	34,689	35.2
1993	22,997	21.7
1994	31,033	31.0
1995	28,693	28.8
1996	31,125	29.3
1997	27,490	27.4
1998	29,671	28.1
1999	29,234	27.6
2000	28,500	26.3
2001	25,340	24.3

#### 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 geographically the largest of the nine 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 includes 11 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 cover loads 25% to 30% greater than anticipated peak loads for each month of the year beyond the year 2000, even assuming adverse water conditions. Favorable water conditions have the ability to further increase energy supplies.

This generating capacity and the resultant wholesale power in the WSCC has made the traditional utility reserve margin less relevant. The need for an individual utility to maintain a reserve margin of 20% or higher in order to assure that it has the capacity to meet, without interruption, customer peak energy needs is no longer necessary.

#### TRADING FLOOR OPERATIONS

PGE's trading floor operation integrates the Company's wholesale trading, fuels, energy supply, power operations and price risk management functions. The trading floor activities seek to enhance PGE's low-cost supply of energy to meet retail and wholesale loads.

1996 Actual Power Sources pie chart:  
(megawatt hours)

Combustion Turbines: 7% (1,864,000)  
PGE Hydro: 9% (2,702,000)  
Coal: 9% (2,657,000)  
Purchased Power: 75% (21,813,000)

1997 Forecasted Power Sources pie chart:  
(megawatt hours)

PGE Hydro: 9% (3,048,000)  
Coal: 9% (3,390,000)  
Combustion Turbines: 7% (2,330,000)  
Purchased Power: 73% (23,889,000)

#### YEAR IN REVIEW

PGE generated 25% of its load requirements in 1996 compared with 36% in 1995. Firm and secondary purchases met the remaining load. Low gas prices, increased competition, and abundant hydro power resulting from above average precipitation in the Columbia River basin contributed to the availability of inexpensive power and the economic displacement of more expensive thermal generation.

During 1996, PGE's peak load was 3,888 MW, of which 49% was met through economical short-term purchases. PGE's firm resource capacity, including short-term purchase agreements totaled approximately 4,759 MW as of December 31, 1996.

#### 1997 OUTLOOK

The early predictions of water conditions indicate they will be above normal in 1997 but not quite as favorable as those experienced in 1996. Efforts to restore salmon runs on the Columbia and Snake rivers may reduce hydro generation which would adversely affect the supply and price of purchased power.

#### RESTORATION OF SALMON RUNS

Several species of salmon found in the Snake River, a major tributary of the Columbia River, have been granted protection under the Federal Endangered Species Act (ESA). In an effort to help restore these fish, the federal government has reduced the amount of water allowed to flow through the turbines at the hydro electric dams on the Snake and Columbia River while the young salmon are migrating to the ocean. This has resulted in reduced amounts of electricity generated at the dams. Favorable hydro conditions helped mitigate the affect of these actions in 1996. Similar conditions are expected in 1997. If this practice is continued in future years it could mean less water available in the fall and winter for generation when demand for electricity in the Pacific Northwest is highest. Although PGE does not own any hydroelectric facilities on the Columbia and Snake rivers, it does buy large amounts of energy from the agencies which do.

Several other species of salmon have been proposed for protection under the ESA. Actions taken to protect these species will not be in affect for several years. It is unclear how these potential ESA listings will impact future hydro operations.

PGE's hydroelectric projects are located on rivers with depressed but not endangered salmon runs. PGE biologists are working with state and federal natural resource agencies to ensure PGE's hydro operations are compatible with the survival and enhancement of these populations of salmon. PGE does not expect that any actions will be taken that will have an adverse impact on PGE hydro operations in the foreseeable future.

## FUEL SUPPLY

PGE manages its fuel supply contracts as part of its trading floor operations. 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 an agreement to purchase coal for Boardman through the year 2000.

The agreement

does not require a minimum amount of coal to be purchased, allowing PGE to obtain coal from other sources. During 1996 PGE did not take deliveries under this contract but purchased coal under favorable short-term agreements. Coal purchases in 1996 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 Montana and Wyoming, was subject to federal, state and local regulations. Coal is delivered to Boardman by rail under a contract which expires in 2002.

#### 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.

#### 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	0.3%	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 1996, 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 on three interconnected pipeline systems accessing the gas fields in Alberta, Canada. Coyote Spring's two-year gas supply contracts expire in October 1997. Gas supplies and transportation capacity are sufficient to fully fuel Coyote Springs. Minimum purchase requirements represent 75% of the plant's capacity.

## 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 energy efficiency.

### ENVIRONMENTAL 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. PGE is also subject to the Federal Rivers and Harbors Act of 1899 and similar Oregon laws under which it must obtain permits from the U.S. Army Corps of Engineers or the Oregon Division of State Lands to construct facilities or perform activities in navigable waters of the State. 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 Department 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.

### ENVIRONMENTAL CLEANUP

PGE is involved with others in the environmental clean-up 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 over the next several years. 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 the federal standards.

Boardman was assigned sufficient 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 2000. The owner-operator utility has recommended the installation of scrubbers. It is not anticipated that Colstrip will be required to reduce emissions because it utilizes scrubbers. However, future legislation, if adopted, could affect plant operations and increase operating costs or reduce coal-fired capacity.

Boardman's air contaminant discharge permit, issued by the DEQ, has no limitations on power production. This permit expires in the year 2001. The water pollution control facilities permit for Boardman expired in May 1991. The DEQ is processing the permit application and renewal is expected. In the interim, Boardman is permitted to continue operating under the terms of the original permit.

DEQ air contaminant discharge permits for the combustion turbine generators at Bethel expired in 1995 and were replaced by new federal permits. Bethel was one of the first plants in the nation to successfully pass the more rigorous federal permitting process. DEQ still limits night operations of Bethel to one unit due to noise considerations. Maximum plant operations are allowed during the day. The combustion turbines are allowed to operate on either natural gas or oil.

PGE is no longer accepting oil shipments by river for its Beaver plant in order to eliminate the risk of an oil spill into the Columbia River. Instead, the rail off-loading facility has been upgraded. This plant is normally fired by natural gas, and only small amounts of oil are used.

GENERAL

Holdings is a wholly owned subsidiary of Portland General and is the parent company of Portland General's subsidiaries engaged in leveraged leasing, administrative services for electric futures trading, telecommunications and non-regulated energy services. Holdings has provided organizational separation from PGE and financial flexibility and support for the operation of non-utility businesses. The assets and businesses of Holdings are primarily its investments in its subsidiaries.

LEASING

COLUMBIA WILLAMETTE LEASING (CWL)

CWL acquires and leases capital equipment on a leveraged basis. During 1996, CWL made no new investments in leveraged leases. CWL's investment portfolio consists of six commercial aircraft, two container ships, approximately 5,500 containers, coal, tank, and hopper railroad cars, a truck assembly plant, an acid treatment facility, and a wood chipping facility, totaling \$151 million of net investment. No new investments are expected or planned for the foreseeable future.

PORTLAND GENERAL CORPORATION

Discussion regarding nonutility properties is included in the previous section.

PORTLAND GENERAL ELECTRIC COMPANY

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	23	
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	
Bethel	Salem, OR	Gas/Oil	116	
Coyote Springs	Boardman, OR	Gas/Oil	241	
<b>JOINTLY OWNED:</b>				
Boardman	Boardman, OR	Coal	330 @	PGE INTEREST 65.0%
Centralia	Centralia, WA	Coal	33 @	2.5%
Colstrip 3 & 4	Colstrip, MT	Coal	288 @	20.0%
Trojan	Rainier, OR	Nuclear	- @	67.5%
			2,119	

PGE holds licenses under the Federal Power Act for its hydroelectric generating plants. Five 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 is actively pursuing the renewal of these 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 12, Trojan Nuclear Plant, in the Notes to the Financial Statements for further information.

**LEASED PROPERTIES**

Combustion turbine generators at Bethel and Beaver are leased by PGE. These leases expire in 1999. PGE leases its headquarters complex in downtown Portland and the coal-handling facilities and certain railroad cars for Boardman.

ITEM 3. LEGAL PROCEEDINGS

NONUTILITY

PORTLAND GENERAL HOLDINGS, INC. V. DELOITTE & TOUCHE, ET AL, THIRD JUDICIAL DISTRICT COURT FOR SALT LAKE COUNTY

On January 22, 1992, Holdings filed a complaint alleging Deloitte & Touche and certain individuals associated with Bonneville Pacific misrepresented the financial condition of Bonneville Pacific. The complaint alleges that Holdings relied on fraudulent statements and omissions by Deloitte & Touche and the individual defendants in acquiring a 46% interest in and making loans to Bonneville Pacific starting in September 1990. Holdings alleges, among other things, the existence of transactions in which generation projects developed or purchased by Bonneville Pacific were transferred at exaggerated valuations or artificially inflated prices to Bonneville Pacific's affiliated entities, Bonneville Pacific related parties or third parties. The suit claims that Bonneville Pacific's books, as audited by Deloitte & Touche, led Holdings to conclude wrongly that Bonneville Pacific's management was effective and could achieve the profitable sale of certain assets, as called for in Holdings' purchase agreement with Bonneville Pacific. Holdings is seeking approximately \$228 million in damages.

UTILITY

SOUTHERN CALIFORNIA EDISON COMPANY V. PGE, U.S. DISTRICT COURT FOR THE DISTRICT OF OREGON

The settlement by PGE and SCE of this case has been approved by the FERC and the California Public Utility Commission and needs no further approvals. The settlement terminates a long-term contract and releases all previous claims asserted in the legal dispute. SCE's annual payments under the settlement will be \$15 million from 1997 through 1999 and \$32 million from 2000 through 2002.

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 OPUC to set aside and rescind OPUC Order No. 91-1781 which authorized PGE a temporary rate increase to recover a portion of the excess power costs incurred during the 1991 Trojan outage. URP and the OPUC agreed to stay the case pending OPUC hearings on the OPUC order. On February 22, 1992 the OPUC issued an order approving the rate increase. The case is currently under a stay. PGE has not intervened in this case. This case remains inactive.

COLUMBIA STEEL CASTING CO., INC. V. PGE, PACIFICORP, AND MYRON KATZ, NANCY RYLES AND RONALD EACHUS, NINTH CIRCUIT COURT OF APPEALS

On June 19, 1990 Columbia Steel filed a complaint for declaratory judgment, injunctive relief and damages in U.S. District Court for the District of Oregon contending that a 1972 territory allocation agreement between PGE and PacificCorp, dba Pacific Power & Light Company (PP&L), which was subsequently approved by the OPUC and the City of Portland, does not give PGE the exclusive right to serve them nor does it allow PP&L to deny service to them. Columbia Steel is seeking an unspecified amount in damages amounting to three times the excess power costs paid over a 10 year period.

On July 3, 1991 the Court ruled that the Agreement did not allocate customers for the provision of exclusive services and that the 1972 order of the OPUC approving the Agreement did not order the allocation of territories and customers. Subsequently, on August 19, 1993 the Court ruled that Columbia Steel was entitled to receive from PGE approximately \$1.4 million in damages which represented the additional costs incurred by Columbia Steel for electric service from July 1990 to July 1991, trebled, plus costs and attorney's fees.

PGE appealed to the U.S. Court of Appeals for the Ninth Circuit which, on July 20, 1995, issued an opinion in favor of PGE, reversing the judgment and ordering judgment to be entered in favor of PGE. Columbia Steel filed a petition for reconsideration and on December 27, 1996, the Ninth Circuit Court of Appeals reversed its earlier decision, ruling in favor of Columbia Steel. The case has been remanded to the US District Court for a new determination of damages for service rendered from early 1989 to July 1991. PGE has asked for reconsideration by the Ninth Circuit.

CITIZEN'S UTILITY BOARD OF OREGON V. PUBLIC UTILITY COMMISSION OF OREGON AND UTILITY REFORM PROJECT AND COLLEEN O'NEIL V. PUBLIC UTILITY COMMISSION OF OREGON, MARION COUNTY OREGON CIRCUIT COURT

The Citizen's 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 alleges that the OPUC lacks authority to allow PGE to recover Trojan costs through its rates. The complaint seeks 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 alleges that the OPUC's decision is not based upon evidence received in the rate case, is not supported by substantial evidence in the record of the case, is 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 seeks 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. Both the 1994 and 1996 circuit court decisions have been appealed to the Oregon Court of Appeals where they have been consolidated.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At a special shareholder meeting on November 12, 1996 in Portland, Oregon the shareholders of Portland General's common stock voted to approve the transactions contemplated by the Merger Agreement between Portland General, Enron Corp, and Enron Oregon Corp. The results of voting were as follows:

FOR	AGAINST	ABSTAIN
39,250,549	716,681	505,289

EXECUTIVE OFFICERS OF PORTLAND GENERAL CORPORATION AND PORTLAND GENERAL ELECTRIC (\*)

NAME	AGE	BUSINESS EXPERIENCE
PGC/PGE		
Ken L. Harrison Chairman of the Board, Chief Executive Officer President	54	Appointed to current position of Chairman of the Board and Chief Executive Officer on December 1, 1988 and President of Portland General since August 4, 1992. Served as President of Portland General Electric from June 1987 until September 1989. Reappointed President of PGE on January 1, 1996.
Alvin Alexanderson Senior Vice President General Counsel and Secretary	49	Appointed to current position on December 12, 1995. Served as Vice President, Rates and Regulatory Affairs from February 1991 until appointed to current position. Previously served as President of Portland General Exchange from May 1988 until February 1991.
David K. Carboneau Vice President Utility Service and Telecommunications	50	Appointed to current position on January 28, 1997. Served as Vice President, Information Technology from January 1, 1996 until appointed to current position. Previously served as Vice President, Thermal and Power Operations from September 1995 to January 1996. Served as Vice President, Administration from October 1992 to September 1995. Served as Vice President, Information Resources from October 1989 to October 1992. For four years prior to October 1989, served as an executive officer of PGE.
Joseph M. Hirko Senior Vice President Chief Financial Officer	40	Appointed to Senior Vice President on September 12, 1995. Has served as Vice President-Finance, Chief Financial Officer and Chief Accounting Officer since December 1991. Served as Treasurer beginning in June 1989. Served as Vice President, Portland General Financial Services, Inc. from November 1985 until June 1989.
Donald F. Kielblock Vice President - PGC/PGE Human Resources	55	Appointed to current position on October 4, 1989. Previously served as General Manager, Information Services of PGE until appointed to current position.
PGE		
Richard E. Dyer Senior Vice President Power Supply	54	Appointed to current position on September 12, 1995. Previously served as Vice President and General Manager of Power Resources and Marketing from August 1994 until appointed to current position. Served as Vice President, PGE Marketing and Supply from July 1991 to August 1994. Served as PGC Vice President and Assistant to the Chairman of the Board from October 1990 until July 1991.
Peggy Y. Fowler Executive Vice President Chief Operating Officer	45	Appointed to current position on November 5, 1996. Served as Senior Vice President, Energy Services from September 1995 until appointed to current position. Served as Vice President, Distribution and Power Production from January 1990 to September 1995. Served as General Manager, Hydro Production and Transmission from September 1989 to January 1990.
Pamela Lesh Vice President	40	Appointed to current position on November 5, 1996. Served as Director of

Rates and Regulatory Affairs

Marketing Strategy from May 1996 until appointed to current position. Served as Director of Rates and Regulatory Affairs from January 1992 to May 1996.

Frederick D. Miller  
Senior Vice President  
Public Affairs and Corporate  
Services

55

Appointed to Senior Vice President on November 5, 1996. Served as Director of Executive Department, State of Oregon, from 1987 until appointed to Vice President, Public Affairs and Corporate Services on October 15, 1992.

(\*) Officers are listed as of January 31, 1997. The officers are elected to serve for a term of one year or until their successors are elected and qualified.

PART II

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

PORTLAND GENERAL CORPORATION

Portland General's common stock is publicly held and traded on the New York and Pacific Stock Exchanges. The table below reflects the dividends on Portland General's common stock and the stock price ranges as reported by THE WALL STREET JOURNAL for 1996 and 1995.

QUARTER	1996				1995			
	1ST	2ND	3RD	4TH	1ST	2ND	3RD	4TH
High	31-1/2	30-7/8	38-5/8	44-3/4	20-7/8	23-1/4	25-3/4	29-1/4
Low	28-1/2	27-3/4	28	37-5/8	18-7/8	20-1/4	21-5/8	25-1/4
Closing price	30-3/4	30-7/8	38-3/8	42	20-7/8	22-3/8	25-5/8	29-1/8
Cash dividends declared (cents)	32	32	32	32	30	30	30	30

The approximate number of shareholders of record as of December 31, 1996 was 38,189.

PORTLAND GENERAL ELECTRIC COMPANY

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

QUARTER	1996	1995
First	\$14,966	\$11,545
Second	17,959	11,545
Third	56,014	13,682
Fourth	16,248	13,684

PGE is restricted, without prior OPUC approval, from making any dividend distributions to Portland General that would reduce PGE's common equity capital below 36% of total capitalization.

ITEM 6. SELECTED FINANCIAL DATA

PORTLAND GENERAL CORPORATION

	FOR THE YEARS ENDED DECEMBER 31				
	1996	1995	1994	1993	1992
	(thousands of dollars except per share amounts)				
Operating Revenues	\$1,111,816	\$983,582	\$959,409	\$946,829	\$883,266
Net Operating Income	224,559	195,576	154,296	158,181	163,500
Income from Continuing Operations	129,536{1}	81,036{2}	93,058	89,118	89,623
Gain from Discontinued Operations{3}	-	-	6,472	-	-
Net Income	\$129,536{1}	\$ 81,036{2}	\$ 99,530	\$ 89,118	\$ 89,623
Earnings per Average Common Share					
Continuing Operations	\$ 2.53	\$ 1.60	\$ 1.86	\$ 1.88	\$ 1.93
Discontinued Operations{3}	-	-	.13	-	-
Dividends Declared per Common Share	\$ 2.53	\$ 1.60	\$ 1.99	\$ 1.88	\$ 1.93
	\$ 1.28	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20
Total Assets	\$3,583,249	\$3,448,017	\$3,559,271	\$3,449,328	\$3,140,625
Long-Term Obligations{4}	963,042	930,556	885,814	912,994	937,938

PORTLAND GENERAL ELECTRIC COMPANY

	FOR THE YEARS ENDED DECEMBER 31				
	1996	1995	1994	1993	1992
	(thousands of dollars)				
Operating Revenues	\$1,109,831	\$981,628	\$958,955	\$944,531	\$880,098
Net Operating Income	224,746	195,186	153,208	154,200	160,037
Net Income	155,915	92,787{2}	106,118	99,744	105,562
Total Assets	\$3,398,212	\$3,245,597	\$3,354,151	\$3,226,674	\$2,920,980
Long-Term Obligations{4}	963,042	930,556	855,814	872,994	887,938

NOTES TO THE TABLES ABOVE:

- 1 Includes \$18 million charge for merger costs
- 2 Includes a loss of \$50 million from regulatory disallowances.
- 3 Reflects the results of discontinued real estate operations.
- 4 Includes long-term debt, preferred stock subject to mandatory redemption requirements and long-term capital lease obligations.

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

RESULTS OF OPERATIONS

GENERAL

Portland General reported 1996 earnings of \$130 million or \$2.53 per share, compared to \$81 million or \$1.60 per share for 1995. 1996 results include \$18 million of after-tax merger related costs. 1995 earnings include a \$50 million after-tax charge to income related to the OPUC's rate orders disallowing certain deferred power costs and 13% of PGE's remaining investment in Trojan.

Excluding the effect of merger related costs and regulatory disallowances, income from continuing operations would have been \$148 million and \$131 million, respectively.

PGE ACCOUNTS FOR SUBSTANTIALLY ALL OF PORTLAND GENERAL'S ASSETS, REVENUES AND NET INCOME. THE FOLLOWING DISCUSSION FOCUSES ON PGE UTILITY OPERATIONS, UNLESS OTHERWISE NOTED.

Operating Revenue and Net Income (Loss) graph:  
(\$ Millions):

	Operating Revenue	Net Income
1992	883	90
1993	947	89
1994	959	100
1995	984	81
1996	1112	130

PGE Electricity Sales graph:  
(Billions of kwh)

1992	Residential	6.3
	Commercial	5.8
	Industrial	3.6
	Wholesale	2.7
1993	Residential	6.8
	Commercial	6.0
	Industrial	3.8
	Wholesale	1.6
1994	Residential	6.7
	Commercial	6.2
	Industrial	3.9
	Wholesale	2.7
1995	Residential	6.6
	Commercial	6.4
	Industrial	4.1
	Wholesale	3.3
1996	Residential	7.1
	Commercial	6.6
	Industrial	3.9
	Wholesale	10.2

1996 COMPARED TO 1995

Strong operating earnings reflected the benefits of low variable power costs due to optimal hydro conditions and a competitive wholesale market. Sales growth due to a growing retail customer base, along with favorable weather conditions contributed to new record peak loads for both the summer and winter periods.

Retail revenues exceeded the prior year by \$29 million, largely due to rate increases accompanied by 3% higher energy sales. These increases were partially offset by revenue refund provisions for SAVE adjustments and certain state tax benefits.

Favorable weather conditions contributed to higher energy sales in both residential and commercial classes. In January and February mean temperatures were colder than average by 2.6 and 4.5 degrees respectively, and temperatures in August and September were warmer than average by 3.1 and 3.2 degrees respectively.

Industrial loads declined 3.8% due to weak demand from paper manufacturers and metals fabricators despite benefiting from growth in the high-tech industries.

During 1996, PGE revenues decreased \$20 million due to adjustments related to SAVE refund provisions, decoupling revenues and certain state tax benefits.

Wholesale revenues exceeded 1995 levels by \$99 million due to aggressive marketing efforts. Sales increased by 6.8 million MWh over 1995, however, average sales prices decreased by 33%.

The price of variable power dropped 18% in 1996, averaging 13 mills versus 15.9 mills (10 mills = 1 cent) last year. Total costs increased only \$23 million or 8%, despite a 36% rise in total Company energy requirements. Optimal hydro conditions brought steep reductions in the cost of secondary power, as well as the cost of firm power purchased from the mid-Columbia projects. Power purchases amounted to 75% of total PGE load in 1996 at an average cost of 13.9 mills compared to 18.3 mills in 1995.

PGE hydro projects generated 9% of the Company's energy needs, an 11% increase in production levels. PGE's thermal plants operated efficiently, and with the addition of Coyote Springs, average overall costs dropped to 6.1 mills from 8.0 mills in 1995. Excluding Coyote Springs, thermal plants generation was down 13% due to economic displacement early in the year.

#### RESOURCE MIX/VARIABLE POWER COSTS

	Resource Mix		Average Variable Power Cost (Mills/KWh)	
	1996	1995	1996	1995
Generation	25%	36%	6.1	8.0
Firm Purchases	62%	39%	14.6	22.7
Secondary Purchases	13%	25%	10.4	11.3
Total	100%	100%	13.0	15.9

Operating expenses (excluding variable power, depreciation and income taxes) were \$32 million or 12% higher than 1995. The increase is primarily due to additional costs associated with fixed natural gas transportation, storm related repair and maintenance projects and increased customer support. Incremental operating costs associated with Coyote Springs, which was placed in operation in late 1995, were offset by decreased costs at other thermal facilities resulting from economic displacement. Throughout the year PGE was able to economically dispatch or displace thermal generation in response to movements in the cost of short-term power and the availability of low-cost hydro power.

Depreciation and amortization increased \$20 million, or 15%, due primarily to depreciation related to Coyote Springs.

Excluding regulatory disallowances of \$50 million in 1995, other income declined \$9 million due to a reduced return on regulatory assets and the absence of equity AFDC.

Interest charges are \$7 million above 1995 due to reduced AFDC and higher levels of short-term debt. Preferred dividend requirements were down \$7 million due to the retirement of nearly \$80 million in preferred stock in 1995.

#### Operating Expenses graph: (\$ Millions)

1992	Operating Costs	327
	Variable Power	222
	Depreciation	99
1993	Operating Costs	283
	Variable Power	311
	Depreciation	122
1994	Operating Costs	262
	Variable Power	347
	Depreciation	124
1995	Operating Costs	271
	Variable Power	294
	Depreciation	134
1996	Operating Costs	306
	Variable Power	317
	Depreciation	155

#### 1995 COMPARED TO 1994

Strong operating earnings reflected the benefits of low variable power costs due to improved hydro conditions, lower natural gas prices and a competitive wholesale market. The Company also benefited from continued sales growth and a retail price increase.

Retail revenues increased \$32 million, or nearly 4%, due largely to the Company's general rate increase and continued load growth. An average 5% general rate increase effective in 1995, coupled with a 263,000 MWh increase in energy sales, resulted in \$45 million of additional revenue. An increase in retail customers of 14,600 and a continuing strong local economy resulted in weather-adjusted load growth of 2.8%. Industrial customers contributed the major portion of load growth for the year due to the recent expansion of high-technology and supporting industries in the region. Weather-adjusted load for residential customers increased 1.2% over 1994. Over 12,900 residential customers were added during 1995. Retail revenue increases were partially offset by warmer than normal weather during winter heating months which decreased residential demand for energy, and a decrease in accrued revenues, a result of fewer power cost deferrals and SAVE incentive revenues.



Wholesale sales contributed \$95 million or approximately 10% of total operating revenues. The Company's aggressive marketing efforts resulted in a 25% increase in sales; however, revenues declined \$11 million as average prices decreased 28%.

Variable power costs fell \$54 million, or 15%, despite increased Company load as the average cost of power decreased from 19.1 to 15.9 mills (10 mills = 1 cent). Improved hydro conditions, mild weather, cheaper natural gas, and competition among suppliers all contributed to abundant and low-cost supplies of secondary energy in the region. Company hydro generation increased 20%, or 412,000 MWh, reflecting good water conditions on the Clackamas River system similar to those experienced throughout the West. Energy purchases were up 28% due to increased loads and economic displacement of thermal generation, while abundant supplies of energy drove secondary prices below 1994 levels. Secondary purchases averaged 11.3 mills, ranging from 1.8 to 28 mills, compared to an average 20.1 mills in 1994.

Throughout the year PGE was able to economically dispatch or displace thermal generation in response to movements in the cost of short-term power. Low-cost hydro significantly displaced PGE thermal generation, which decreased 32% from 1994. Beaver generated electricity at 38% lower cost due to favorable gas prices.

Operating expenses (excluding variable power costs, depreciation and income taxes) were \$10 million, or 4%, higher primarily due to storm damages incurred in December 1995. A combination of wind and ice storms caused a record number of customer outages in PGE's service territory. Repair efforts to restore customers' service included around the clock efforts from PGE personnel and contract crews at a total cost exceeding \$10 million, of which PGE is self-insured for the first \$5 million.

A March 1995 general rate order disallowed recovery of 13% of PGE's Trojan investment resulting in a \$37 million after-tax charge to income. PGE also recorded a \$13 million after-tax third quarter loss as a result of an OPUC order which disallowed recovery of a portion of the Company's deferred power costs.

Depreciation increased \$10 million, or 8%, largely due to higher depreciation rates effective with the Company's general rate increase. Income taxes increased \$18 million primarily due to an increase in before-tax operating income. The Company benefited from a one-time state tax refund of approximately \$4 million which contributed to a lower effective tax rate for the year.

The construction of Coyote Springs accounted for the increases in capitalized interest during each year, which partially offset a corresponding increase in interest expense. Income also includes a \$5 million charge for increased charitable donations.

#### CASH FLOW

Utility Capital Expenditures graph:  
(\$ Millions)

1992	159
1993	149
1994	243
1995	232
1996	185

#### PORTLAND GENERAL CORPORATION

Portland General requires cash to pay dividends to its common shareholders, to provide funds to its subsidiaries, to meet debt service obligations and for day-to-day operations. Sources of cash are dividends from PGE, leasing rentals, short- and intermediate-term borrowings, and the sale of Portland General's common stock. In order to meet periodic liquidity and operational needs, Portland General maintains a \$20 million one-year credit facility.

In February 1996 the Board of Directors approved an increase in PGC's quarterly dividend from \$.30 to \$.32 per share. This was the first change in Portland General's dividend since 1990.

Portland General received \$103 million in dividends from PGE. In addition, Portland General received \$3 million in proceeds from the issuance of new shares of common stock under its Dividend Reinvestment and Optional Cash Payment Plan (DRIP).

PORTLAND GENERAL ELECTRIC COMPANY

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 serve as the primary form of daily liquidity with 1996 balances ranging from \$83 million to \$251 million. PGE has committed borrowing facilities 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 cash outlay. Changes in accounts receivable and accounts payable can also be significant contributors or users of cash. Improved cash flow for 1996 reflects a higher percentage of cash revenues combined with lower variable power costs.

INVESTING ACTIVITIES include generation, transmission and distribution facilities improvements, as well as energy efficiency programs. 1996 capital expenditures of \$185 million were primarily for the expansion and upgrade of the transmission and distribution system. Annual capital expenditures are expected to be approximately \$170 million over the next few years. The majority of anticipated capital expenditures are for improvements to the Company's expanding distribution system to support the addition of new customers.

The Company does not anticipate construction of new generating resources in the foreseeable future. The Company will continue to make energy efficiency expenditures similar to 1996 levels.

FINANCING ACTIVITIES provide supplemental cash for day-to-day operations and capital requirements as needed. During 1996 both Standard & Poor's Investor Services (S&P) and Moody's Investor Services (Moody's) reviewed and upgraded PGE's debt ratings. S&P upgraded PGE's senior secured debt from A- to A, its unsecured debt from BBB+ to A-, and commercial paper from A2 to A1 with a Stable Outlook. Similarly Moody's upgraded the Company's debt ratings, raising PGE's secured debt from A3 to A2, unsecured debt from Baa1 to A3 and commercial paper from P2 to P1. The improved ratings, especially on short-term debt, should help lower the Company's future borrowing costs. During 1997 internal funding is expected to cover the Company's capital expenditures.

During 1996 the Company issued \$170.6 million of long-term debt. The proceeds were used to retire \$97.6 million in long-term debt and to pay down outstanding short-term debt.

Also in 1996 PGE redeemed the final 200,000 outstanding shares of its 8.10% preferred stock, at par. The \$20 million redemption leaves only the Company's 7.75% preferred stock outstanding which has sinking fund requirements beginning in 2002.

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, 1996, PGE had the capability to issue additional First Mortgage Bonds and preferred stock in amounts sufficient to meet its capital requirements.

## FINANCIAL AND OPERATING OUTLOOK

### PORTLAND GENERAL CORPORATION - HOLDING COMPANY

#### PROPOSED MERGER

##### GENERAL

During 1996 Portland General entered into an Amended and Restated Agreement and Plan of Merger (Merger Agreement) with Enron Corp (Enron) and Enron Oregon Corp. (New Enron), a wholly-owned subsidiary of Enron. Under the terms of the Merger Agreement Portland General will merge into New Enron (Merger) and each share of

the common stock of Portland General will be converted into one share of the common stock of New Enron. Immediately prior to the consummation of the Merger, Enron will merge into New Enron for the purpose of reincorporating Enron in Oregon (Reincorporation Merger). The Merger Agreement provides that if certain regulatory reforms are enacted, the structure of the transaction contemplated by the Merger Agreement will be revised to eliminate the Reincorporation Merger. The Merger has been approved by both companies' boards of directors, shareholders, and the FERC. However, before the Merger can be completed, approvals and consents must be obtained from the NRC and the OPUC.

##### APPROVALS AND CONSENTS

OPUC - PGE is subject to the jurisdiction of the OPUC with respect to its electric utility operations. The approval of the OPUC is required for any transaction in which a person seeks to acquire the power to exercise any substantial influence over the policies and actions of a public utility subject to the OPUC's

jurisdiction. Upon completion of the Merger, Enron will be the sole owner of PGE common stock. On August 30, 1996, Enron filed an application with the OPUC seeking approval of the Merger. The OPUC must approve the merger if they find that it will serve the customers of PGE in the public interest. In making that finding the OPUC may consider whether the change in ownership of PGE will impair the ability of the utility to provide adequate service at just and reasonable rates. The Staff of the OPUC issued a preliminary recommendation that the OPUC approve the merger application, subject to certain conditions. Portland General and Enron have entered into discussions with the Staff which are intended to settle differences over the proposed conditions. There is no assurance that the parties will reach agreement. An OPUC decision on the merger application was expected by the end of March 1997. However, there is no assurance that the OPUC will have rendered a decision by that time.

FERC - The FERC approved the Merger, without conditions, on February 26, 1997.

OTHER - Consent and approval of the Merger is still pending before the NRC.

##### OPERATIONS AFTER THE BUSINESS COMBINATION

When the merger is complete, Portland General will cease to exist. PGE, Portland General's utility subsidiary will retain its name, most of its functions and maintain its principal corporate offices in Portland, Oregon. It will be a subsidiary of Enron, an integrated natural gas company headquartered in Houston, Texas. Essentially all of Enron's operations are conducted through its subsidiaries

and affiliates which are principally engaged in the gathering, transportation and wholesale marketing of natural gas; the exploration and production of natural gas and crude oil; the production, purchase, transportation and marketing of natural gas liquids and refined petroleum products; the independent development, promotion, construction and operation of power plants, natural gas liquids facilities and pipelines; and the non-price regulated purchasing and marketing of energy related commitments.

##### ACCOUNTING TREATMENT

The Merger will be accounted for by Enron as a purchase for financial reporting purposes. PGE will continue to report its assets and liabilities at historical cost.

COMPETITION

The Energy Policy Act of 1992 (Energy Act) set the stage for change in federal and state regulations aimed at increasing both wholesale and retail 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 July 1996 and are expected to result in increased competition, lower prices and more choices to wholesale energy customers.

In February 1997 PGE signed a long-term transmission agreement with Washington Water Power (WWP) under these new rules. WWP will receive 100 MW of firm transmission capacity through the end of 1997 and a total 200 MW of firm transmission capacity from January 1998 through the end of the year 2001.

PGE, along with a number of other public and private Northwest utilities and the BPA have signed a memorandum of understanding to create an independent transmission grid operator (IndeGo). Under the agreement, IndeGo would assume responsibility for day to day operation of main transmission lines which are directly owned by the various parties. The parties would maintain ownership of the lines, as well as responsibility for repair and upgrades.

FERC actions apply only to the wholesale transmission of electricity. Terms and conditions of retail transmission service are subject to individual state regulation. Since the passage of the Energy Act, various state utility commissions have addressed proposals which would allow retail customers direct access to generation suppliers, marketers, brokers and other service providers in a competitive marketplace for energy services (retail wheeling). It is expected that several bills proposing retail competition will be introduced during the 1997 Oregon legislative session.

PGE has initiated several experimental tariff schedules during the past two years that have allowed certain of its larger customers to acquire electricity at market based prices. Eligible customers have the opportunity to purchase energy at prices that reflect actual market conditions. The tariffs are limited to a total of 250 MW or 12% of total PGE retail load.

PGE has filed a tariff which, upon approval by the OPUC, will allow large industrial and commercial customers to purchase as much as one-third of their electricity needs from any provider. This Power Delivery Service Tariff initially will be available for up to 75 megawatts of load per year. If the OPUC approves the merger of Portland General and Enron, affected customers will be allowed to purchase 100 percent of their electricity through the tariff, up to 225 megawatts per year. Absent OPUC approval of the merger, PGE will phase in the tariff over a longer period of time.

In November 1996 Portland General and Enron committed to submit to the OPUC within 60 days of the merger completion a plan to open PGE's service area to competition. The plan will allow residential, commercial and industrial customers to choose their energy provider and will include a proposal to separate PGE generating facilities from its transmission and distribution system. In addition, the plan will include a proposal for the treatment of transition or stranded costs. The action will position the generating side of the organization to compete more effectively in an open marketplace, and will allow the distribution side to focus on quality of service, safety and reliability.

## REGULATORY MATTERS

Industry Restructuring - Historically the OPUC has approached the issues of retail competition on an informal, utility-by-utility basis, rather than through generic, broad-based proceedings. However, in June 1996 the OPUC began an investigation into restructuring the state's electric utility industry by meeting with state utility executives, customers, environmental advocates and other interested parties to discuss how competition in the generation of electric power could be introduced and when to allow customers access to competing power suppliers.

Four specific issues were the focus of subsequent meetings: how an electricity distribution company would operate and be regulated; how energy efficiency and other public purpose programs will be offered and funded in a restructured environment; what treatment is appropriate for utility investment in a generating plant that is no longer economic; and whether vertical integration of electrical utilities should be discouraged or prohibited. The OPUC has stated its intent to use these discussions to prepare for action on the competitive initiatives that can be implemented under its direct authority and to work with the legislature in assessing proposals for restructuring.

It remains to be determined what effect future competitive factors may have on retail rates in Oregon and the Company's ability to fully recover remaining regulation assets.

1996 RATE SETTLEMENT - During 1996 PGE worked with the OPUC staff and other interested parties to develop a plan for dealing with significant savings which resulted from lower natural gas and power purchase prices. This resulted in \$55 million in annual rate reductions that began December 1, 1996. The rate reductions will result in an after tax earnings decrease of approximately \$32 million for 1997. In addition, the order incorporated \$15 million in rate reductions previously approved by the OPUC resulting in total 1997 rate reductions of \$70 million.

BONDABLE CONSERVATION INVESTMENT - In late 1996, the OPUC designated \$81 million of PGE's energy efficiency investment as Bondable Conservation Investment, pursuant to recent Oregon legislation, and authorized issuance of conservation bonds collateralized by an OPUC assured future revenue stream. Subsequently, PGE issued a 10 year conservation bond which is expected to provide an estimated \$21 million in present value savings to customers while granting PGE immediate recovery of its energy efficiency program expenditures. The OPUC assured future revenues collected from customers will pay debt service obligations.

TROJAN INVESTMENT RECOVERY - In April 1996 a circuit court judge in Marion County, Oregon found 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. The 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.

The November 1994 ruling, by a different judge of the same court, upheld the Commission's 1993 Declaratory Ruling (DR-10). In DR-10 the OPUC ruled that PGE could recover and earn a return on its undepreciated Trojan investment, provided certain conditions were met. The Commission relied on a 1992 Oregon Department of Justice opinion issued by the Attorney General's office stating that the Commission had the authority to set prices including recovery of and on investment in plant that is no longer in service.

The 1994 ruling was appealed to the Oregon Court of Appeals and stayed pending the appeal of the Commission's March 1995 order. Both PGE and the OPUC have separately appealed the April 1996 ruling which was combined with the appeal of the November 1994 ruling at the Oregon Court of Appeals.

For further information regarding the legal challenges to the OPUC's authority to grant recovery for PGE's Trojan investment see Item 3., Legal proceedings.

LEAST COST ENERGY PLANNING - In August 1996 the OPUC acknowledged PGE's 1995-1997 Integrated Resource Plan (IRP). The OPUC adopted Least Cost Energy Planning for all energy utilities in Oregon with the goal of selecting the mix of options that yields an adequate and reliable supply of energy at the least cost to the utilities and customers. The 1995-1997 IRP reflects: the recognition that the geographic area PGE presently serves no longer defines our customer base; the accelerated pace of technological change; transition of a key fuel, natural gas, to a market commodity; and the development of a vibrant electricity marketplace.

The IRP outlines a strategy which emphasizes: (1) the purchase of energy in the marketplace at competitive prices, (2) acquisition of energy efficiency at reduced levels while maintaining market presence and capability for possible future increases when justified, (3) economical use of our existing assets and (4) the use of other supply-side actions, including acquisition of renewable resources.

#### RETAIL CUSTOMER GROWTH AND ENERGY SALES

Weather adjusted retail energy sales grew less than 1 percent during 1996, reflecting cutbacks by paper manufacturers and metal fabricators. Nevertheless, the Company benefited from continued growth in residential sales of 1.8% with the addition of nearly 15,500 new customers as well as increased commercial sales which rose 3%. Industrial sales, although negatively affected in 1996 by weak demand from the paper manufacturers and metals fabricators, continues to benefit from growth in the high-tech and transportation sectors. Rising demand from the high-tech industry in Oregon combined with continued gains in residential and commercial customer classes is expected to contribute to 6.7% load growth for 1997.

#### WHOLESALE SALES

The surplus of electric generating capability in the Western U.S., the entrance of numerous wholesale marketers and brokers into the market, and open access transmission is contributing to increasing pressure on the price of power. In addition the development of financial markets and NYMEX electricity contract trading has led to increased price discovery available to market participants, further adding to the competitive pressure on wholesale margins. During 1996 PGE's wholesale revenues increased 104% over 1995 levels with wholesale activity accounting for 18% of total revenues and 37% of total sales. In future years PGE will continue its participation in the wholesale marketplace to balance its supply of power to meet the needs of its retail customers, manage risk and to administer PGE's current long-term wholesale contracts. Due to increasing volatility and reduced margins resulting from increased competition, long-term wholesale marketing activities will be performed by PGE's non-regulated affiliates.

#### COMMODITY PRICE RISK MANAGEMENT

The Company is exposed to market risk arising from the need to purchase fuel for its generating units (both natural gas and coal) as well as the direct purchase and sale of wholesale electricity in support of its retail and wholesale markets. PGE operates without a power cost adjustment tariff, and therefore adjustments for power costs above or below those used in existing general tariffs are not automatically reflected in retail customers' rates. Through the formation of the trading floor, PGE integrated its wholesale trading, fuels, energy supply, power operations and price risk management functions. The Company must purchase energy to serve its wholesale markets. This along with the development of a broader, more competitive wholesale electricity market, means the Company must actively hedge its market price risk.

The Company uses financial instruments, such as commodity futures, options, forwards and swaps, to hedge the price of natural gas and electricity and reduce its exposure to fluctuations in these commodities. In addition to hedging activities, financial instruments are used for trading purposes. PGE trades instruments on the New York Mercantile Exchange as well as in the over the counter market. Consequently the Company is exposed to credit risk in the event of non-performance by the counterparties and has established guidelines to mitigate that risk.

#### POWER & FUEL SUPPLY

PGE's base of hydro and thermal generating capacity provides the Company with the flexibility needed to respond to seasonal fluctuations in the demand for electricity both within its service territory and from its wholesale customers. PGE plans to generate 27% of its energy requirements during 1997, approximately the same level achieved during 1996.

PGE maintains flexibility in fuel supply contracts to allow for the economic dispatch of PGE's thermal resources in conjunction with hydro operations and the current market price of wholesale power. The Company benefits from a strategic location which places it adjacent to two competing natural gas pipelines with access to three significant producing basins. Firm transportation on both pipelines provides an adequate supply of natural gas to meet plant generating capacities. In addition, the Company maintains a flexible portfolio of physical supply which relies heavily on short-term agreements and spot-market purchases of fuel to meet plant operations.

During 1996 the Company relied on wholesale purchases to supply approximately 75% of its energy needs, and expects to purchase approximately 73% of its 1997 load requirements. PGE has long-term power contracts with four hydro projects on the mid-Columbia River which provide PGE with 590 MW. Early forecasts indicate above average water conditions for 1997. However, efforts to restore salmon runs on the Columbia and Snake Rivers may reduce the amount of water available for generation which could affect the supply, 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.

PGE has increasingly relied 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 Company generation and purchases under existing firm power contracts.

**RESTORATION OF SALMON RUNS** - Several species of salmon found in the Snake River, a major tributary of the Columbia River, have been granted protection under the Federal Endangered Species Act (ESA). In an effort to help restore these fish, the federal government has reduced the amount of water allowed to flow through the turbines at the hydro electric dams on the Snake and Columbia River while the young salmon are migrating to the ocean. This has resulted in reduced amounts of electricity generated at the dams. Favorable hydro conditions helped mitigate the affect of these actions in 1996. Similar conditions are expected in 1997. If this practice is continued in future years it could mean less water available in the fall and winter for generation when demand for electricity in the Pacific Northwest is highest. Although PGE does not own any hydroelectric facilities on the Columbia and Snake rivers, it does buy large amounts of energy from the agencies which do.

Several other species of salmon have been proposed for protection under the ESA. Actions taken to protect these species will not be in affect for several years. It is unclear how these potential ESA listings will impact future hydro operations.

PGE's hydroelectric projects are located on rivers with depressed but not endangered salmon runs. PGE biologists are working with state and federal natural resource agencies to ensure PGE's hydro operations are compatible with the survival and enhancement of these populations of salmon. PGE does not expect that any actions will be taken that will have an adverse impact on PGE hydro operations in the foreseeable future.

#### HYDRO RELICENSING

**PGE HYDRO** - PGE's hydroelectric plants are some of the Company's most valuable resources supplying economical generation and flexible load following capabilities. Company-owned hydro generation produced 2.7 million MWh of renewable energy in 1996, meeting 9% of PGE's load. PGE's hydroelectric plants, operate under federal licenses, which will be up for renewal between the years 2001 and 2006. PGE officially began the relicensing process for its 408-MW Pelton Round Butte Project in July 1996. 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), have also filed a notice stating their intent to seek a license for the entire project. Should relicensing not be completed prior to the expiration of the original license, annual licenses will be issued, usually under the original terms and conditions.

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 nearly 50 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 FERC has never denied an application or issued a license to anyone other than the incumbent licensee, there is no assurance that a new license will be granted to PGE.

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 FERC seeking to change the allocation of generation from the Priest Rapids and Wanapum dams between electric utilities in the region upon the expiration of the current contracts. An initial decision was issued in December 1996 by the presiding FERC administrative law judge. This decision does not substantially change PGE's share of power from these two dams. This decision is expected to be appealed.

PGE will continue to seek renewal of these contracts under terms and conditions similar to the original. For further information regarding the power purchase contracts on the mid-Columbia dams, including Priest Rapids and Wanapum, see Note 8, Commitments, in the Notes to Financial Statements.

#### NUCLEAR DECOMMISSIONING

In 1996 the NRC and EFSC approved PGE's Trojan decommissioning plan. The plan, which estimates PGE's cost to decommission Trojan at \$358 million in nominal dollars (actual dollars to be spent in each year), represents a site-specific decommissioning estimate performed for Trojan by an engineering firm experienced in decommissioning nuclear plants. This estimate assumes that the majority of decommissioning activities will occur between 1997 and 2001, 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 12, Trojan Nuclear Plant, for further discussion of the decommissioning plan and other Trojan issues). Current decommissioning activities are focused on the licensing, planning and construction of a temporary dry spent fuel storage facility and the removal of the Trojan reactor vessel.

## MANAGEMENT'S STATEMENT OF RESPONSIBILITY

Portland General Corporation's management is responsible for the preparation and presentation of the consolidated financial statements in this report. Management is also responsible for the integrity and objectivity of the statements. Generally accepted accounting principles have been used to prepare the statements, and in certain cases informed estimates have been used that are based on the best judgment of management.

Management has established, and maintains, a system of internal accounting controls. The controls provide reasonable assurance that assets are safeguarded, transactions receive appropriate authorization, and financial records are reliable. Accounting controls are supported by written policies and procedures, an operations planning and budget process designed to achieve corporate objectives, and internal audits of operating activities.

Portland General's Board of Directors includes an Audit Committee composed entirely of outside directors. It reviews with management, internal auditors and independent auditors the adequacy of internal controls, financial reporting, and other audit matters.

Arthur Andersen LLP is Portland General's independent public accountant. As a part of its annual audit, selected internal accounting controls are reviewed in order to determine the nature, timing and extent of audit tests to be performed. All of the corporation's financial records and related data are made available to Arthur Andersen LLP. Management has also endeavored to ensure that all representations to Arthur Andersen LLP were valid and appropriate.

Joseph M. Hirko  
Senior Vice President,  
Chief Financial Officer

## REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of  
Portland General Corporation:

We have audited the accompanying consolidated balance sheets of Portland General Corporation and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1996. 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 Corporation and subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Portland, Oregon,  
January 20, 1997

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

PORTLAND GENERAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31	1996	1995	1994
	(THOUSANDS OF DOLLARS EXCEPT PER SHARE AMOUNTS)		
OPERATING REVENUES	\$ 1,111,816	\$ 983,582	\$ 959,409
OPERATING EXPENSES			
Purchased power and fuel	316,729	293,589	347,125
Production and distribution	81,968	63,841	61,891
Maintenance and repairs	55,508	47,532	47,391
Administrative and other	115,881	108,067	100,596
Depreciation and amortization	154,670	134,423	124,081
Taxes other than income taxes	52,513	51,490	52,151
	777,269	698,942	733,235
OPERATING INCOME BEFORE INCOME TAXES	334,547	284,640	226,174
INCOME TAXES	109,988	89,064	71,878
NET OPERATING INCOME	224,559	195,576	154,296
OTHER INCOME (DEDUCTIONS)			
Regulatory disallowances - net of income taxes of \$25,542	-	(49,567)	-
Interest expense	(79,180)	(79,128)	(71,653)
Allowance for funds used during construction	1,642	11,065	4,314
Preferred dividend requirement - PGE	(2,793)	(9,644)	(10,800)
Other - net of income taxes	(14,692)	12,734	16,901
INCOME FROM CONTINUING OPERATIONS	129,536	81,036	93,058
DISCONTINUED OPERATIONS			
Gain on disposal of real estate operations - net of income taxes of \$4,226	-	-	6,472
NET INCOME	\$ 129,536	\$ 81,036	\$ 99,530
COMMON STOCK			
Average shares outstanding	51,144,462	50,766,916	49,896,685
Earnings per average share			
Continuing operations	\$2.53	\$1.60	\$1.86
Discontinued operations	-	-	0.13
Earnings per average share	\$2.53	\$1.60	\$1.99
Dividends declared per share	\$1.28	\$1.20	\$1.20

PORTLAND GENERAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31	1996	1995	1994
	(THOUSANDS OF DOLLARS)		
BALANCE AT BEGINNING OF YEAR	\$ 135,885	\$ 118,676	\$ 81,159
NET INCOME	129,536	81,036	99,530
ESOP TAX BENEFIT AND OTHER	(2,093)	(2,872)	(1,705)
	263,328	196,840	178,984
DIVIDENDS DECLARED ON COMMON STOCK	65,516	60,955	60,308
BALANCE AT END OF YEAR	\$ 197,812	\$ 135,885	\$ 118,676

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

PORTLAND GENERAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31

1996  
(THOUSANDS OF DOLLARS)                      1995  
(THOUSANDS OF DOLLARS)

	1996	1995
	(THOUSANDS OF DOLLARS)	
<b>ASSETS</b>		
<b>ELECTRIC UTILITY PLANT - ORIGINAL COST</b>		
Utility plant (includes Construction Work in Progress of \$36,919 and \$33,382)	\$ 2,899,746	\$ 2,754,280
Accumulated depreciation	(1,124,337)	(1,040,014)
Capital leases - less amortization of \$30,569 and \$27,966	1,775,409	1,714,266
	6,750	9,353
	1,782,159	1,723,619
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Leveraged leases	150,695	152,666
Trojan decommissioning trust, at market value	78,448	68,774
Corporate Owned Life Insurance less loans of \$26,411 and \$26,432	83,666	74,574
Contract termination receivable	111,447	-
Other investments	29,745	28,603
	454,001	324,617
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	29,802	11,919
Accounts and notes receivable	125,314	104,815
Unbilled and accrued revenues	53,317	64,516
Inventories, at average cost	32,903	38,338
Prepayments and other	17,613	16,953
	258,949	236,541
<b>DEFERRED CHARGES</b>		
Unamortized regulatory assets		
Trojan investment	275,460	301,023
Trojan decommissioning	282,131	311,403
Income taxes recoverable	195,592	217,366
Debt reacquisition costs	28,063	29,576
Conservation investments - secured	80,102	-
Energy efficiency programs	11,974	77,945
Other	22,575	24,322
WNP-3 settlement exchange agreement	163,217	168,399
Miscellaneous	29,026	33,206
	1,088,140	1,163,240
	\$ 3,583,249	\$ 3,448,017
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>CAPITALIZATION</b>		
Common stock equity		
Common stock, \$3.75 par value per share 100,000,000 shares authorized, 51,317,828 and 51,013,549 shares outstanding	\$ 192,442	\$ 191,301
Other paid-in capital - net	584,272	574,468
Unearned compensation	(3,072)	(8,506)
Retained earnings	197,812	135,885
	971,454	893,148
Cumulative preferred stock of subsidiary		
Subject to mandatory redemption	30,000	40,000
Long-term debt	933,042	890,556
	1,934,496	1,823,704
<b>CURRENT LIABILITIES</b>		
Long-term debt and preferred stock due within one year	92,559	105,114
Short-term borrowings	92,027	170,248
Accounts payable and other accruals	149,255	133,405
Accrued interest	14,372	16,247
Dividends payable	17,386	16,668
Accrued taxes	30,985	15,151
	396,584	456,833
<b>OTHER</b>		
Deferred income taxes	614,576	652,846
Deferred investment tax credits	47,314	51,211
Deferred gain on contract termination	112,697	-
Trojan decommissioning and transition costs	357,844	379,179
Miscellaneous	119,738	84,244
	1,252,169	1,167,480
	\$ 3,583,249	\$ 3,448,017

The accompanying notes are an integral part of these consolidated balance sheets.

PORTLAND GENERAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31	1996	1995	1994
		(THOUSANDS OF DOLLARS)	
CASH PROVIDED (USED) BY -			
OPERATIONS:			
Net income	\$ 129,536	\$ 81,036	\$ 99,530
Adjustment to reconcile net income to net cash provided by operations:			
Depreciation and amortization	118,929	102,266	94,217
Amortization of WNP-3 exchange agreement	5,182	4,910	4,695
Amortization of Trojan investment	24,244	24,884	26,738
Amortization of Trojan decommissioning	14,041	13,336	11,220
Amortization of deferred charges - other	5,034	(1,777)	2,712
Deferred income taxes - net	(19,979)	(9,555)	37,396
Other noncash revenues	(1,697)	(5,037)	(2,570)
Regulatory Disallowances	-	49,567	-
Changes in working capital:			
(Increase) Decrease in receivables	(9,381)	(14,687)	(22,952)
(Increase) Decrease in inventories	5,435	(7,189)	3,264
Increase (Decrease) in payables	40,052	22,122	(5,105)
Other working capital items - net	(644)	1,957	(18,104)
Trojan decommissioning expenditures	(8,231)	(10,927)	(3,360)
Deferred charges - other	35,454	(9,472)	13,987
Miscellaneous - net	7,772	15,108	5,897
	345,747	256,542	247,565
INVESTING ACTIVITIES:			
Utility construction - new resources	-	(49,096)	(87,537)
Utility construction - other	(184,717)	(158,198)	(131,675)
Energy efficiency programs	(12,318)	(25,013)	(23,745)
Rentals received from leveraged leases	29,623	21,204	20,886
Nuclear decommissioning trust deposits	(15,435)	(16,598)	(11,220)
Nuclear decommissioning trust withdrawals	7,888	13,521	-
Discontinued operations	-	-	26,288
Other	(10,659)	(1,465)	(14,058)
	(185,618)	(215,645)	(221,061)
FINANCING ACTIVITIES:			
Short-term borrowings - net	(78,221)	21,650	(10,816)
Borrowings from Corporate Owned Life Insurance	-	4,679	21,731
Long-term debt issued	170,590	147,138	74,631
Long-term debt retired	(127,661)	(69,445)	(49,882)
Repayment of nonrecourse borrowings for leveraged leases	(25,535)	(18,741)	(18,046)
Preferred stock retired	(20,000)	(79,704)	(20,000)
Common stock issued	3,380	10,299	50,074
Dividends paid	(64,799)	(62,396)	(59,856)
	(142,246)	(46,520)	(12,164)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,883	(5,623)	14,340
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	11,919	17,542	3,202
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	\$ 29,802	\$ 11,919	\$ 17,542
Supplemental disclosures of cash flow information			
Cash paid during the year:			
Interest, net of amounts capitalized	\$ 76,105	\$ 66,584	\$ 60,852
Income taxes	111,630	86,778	31,539

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

NATURE OF OPERATIONS

Portland General Corporation is an electric utility holding company. PGE, an electric utility company and Portland General's principal operating subsidiary, accounts for substantially all of Portland General's assets, revenues and net income.

During 1996 Portland General entered into an Amended and Restated Agreement and Plan of Merger (Merger Agreement) with Enron Corp (Enron) and Enron Oregon Corp. (New Enron), a wholly-owned subsidiary of Enron. The Merger will be accounted for by Enron as a purchase for financial reporting purposes. PGE will continue to report its assets and liabilities at historical cost (see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations).

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 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 1996, PGE's service area population was approximately 1.4 million, constituting approximately 44% of the state's population. At December 31, 1996, PGE served approximately 668,000 customers.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION PRINCIPLES

The consolidated financial statements include the accounts of Portland General and all of its majority-owned subsidiaries. Significant intercompany balances and transactions have been eliminated.

BASIS OF ACCOUNTING

Portland General 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 ratemaking practices of regulatory authorities having jurisdiction.

USE OF ESTIMATES

The preparation of financial statements require 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 net amount of 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.

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 1996, 4.0% in 1995 and 3.8% in 1994.

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.

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

AFDC represents the pretax 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 rates used by PGE were 5.52%, 7.16%, and 4.65% for the years 1996, 1995 and 1994, respectively.

#### INCOME TAXES

Portland General files a consolidated federal income tax return. Portland General's policy is to collect for tax liabilities from subsidiaries that generate taxable income and to reimburse subsidiaries for tax benefits utilized in its tax return. 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 Notes 3 and 3A, Income Taxes, for more details.

#### INVESTMENT IN LEASES

CWL, a subsidiary of Holdings, acquires and leases capital equipment. Leases that qualify as direct financing leases and are substantially financed with nonrecourse debt at lease inception are accounted for as leveraged leases. Recorded investment in leases is the sum of the net contracts receivable and the estimated residual value, less unearned income and deferred ITC. Unearned income and deferred ITC are amortized to income over the life of the leases to provide a level rate of return on net equity invested.

The components of CWL's net investment in leases as of December 31, 1996 and 1995, are as follows (thousands of dollars):

	1996	1995
Lease contracts receivable	\$460,061	\$508,190
Nonrecourse debt service	(345,450)	(389,619)
Net contracts receivable	114,611	118,571
Estimated residual value	84,604	84,610
Less - Unearned income	( 39,435)	(41,134)
Investment in leveraged leases	159,780	162,047
Less - Deferred ITC	(9,085)	(9,381)
Investment in leases, net	\$150,695	\$152,666

#### 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 such as commodity futures, options, forwards and swaps to hedge against exposures to interest rate, foreign currency and commodity price risks. The objective of PGE's hedging program is to mitigate risks due to market fluctuations associated with external financings or the purchase of natural gas, electricity and related products. Gains and losses from derivatives that reduce commodity price risks are recognized as fuel or purchased power expense. 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.

Company policy also allows the use of the financial instruments, noted above, for trading purposes. Gains or losses on financial instruments that are used for trading purposes or otherwise do not qualify for hedge accounting are recognized in income on a current basis (see Note 7, Other Financial Instruments for further information).

#### WNP-3 SETTLEMENT EXCHANGE AGREEMENT

The WNP-3 Settlement Exchange Agreement, which has been excluded from PGE's rate base, is an intangible asset with the carrying amount being amortized over the life of the related agreement.

## REGULATORY ASSETS AND LIABILITIES

The Company is subject to the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS No. 71). When the requirements of SFAS No. 71 are met PGE defers, or accrues revenue for, certain costs which would otherwise be charged to expense, if it is probable that future rates will permit recovery of such costs (regulatory assets). In addition PGE defers, or accrues a liability for, certain revenues, gains or cost reductions which would otherwise be reflected in income but through the ratemaking process ultimately will be refunded to customers (regulatory liabilities).

These regulatory assets and liabilities are reflected as deferred charges, accrued revenues and other liabilities in the financial statements and are amortized over the period in which they are included in billings to customers.

Regulatory assets and liabilities reflected in the Consolidated Balance Sheets as of December 31 relate to the following:

	1996	1995
	(thousands of dollars)	
Regulatory Assets		
Trojan-related	557,591	612,426
Income taxes recoverable	195,592	217,366
Debt reacquisition and other	50,638	53,898
Conservation investments - secured	80,102	-
Energy efficiency programs	11,974	77,945
Total Regulatory Assets	\$895,897	\$961,635
Regulatory Liabilities		
Deferred gain on SCE Termination	\$112,697	-
Miscellaneous	35,893	11,081
Total Regulatory Liabilities	\$148,590	\$ 11,081

As of December 31, 1996, all of the Company's regulatory assets and liabilities are being reflected in rates charged to customers over periods ranging from approximately 5 to 28 years. Based on rates in place at year end 1996, the Company estimates that it will collect the majority of its regulatory assets within the next 10 years and substantially all of its regulatory assets within the next 20 years.

In late 1996, the OPUC designated \$81 million of PGE's energy efficiency investment as Bondable Conservation Investment, pursuant to recent Oregon legislation, and approved PGE's request to issue conservation bonds collateralized by an OPUC assured future revenue stream. Subsequently, PGE issued a 10 year conservation bond providing savings to customers while granting PGE immediate recovery of its energy efficiency program expenditures. Future revenues collected from customers will pay debt service obligations.

## NOTE 2 -EMPLOYEE BENEFITS

### PENSION PLAN

Portland General has a non-contributory defined benefit pension plan (the Plan) covering substantially all of its employees. Benefits under the Plan are based on years of service, final average pay and covered compensation. Portland General's policy is to contribute annually to the Plan at least the minimum required under the Employee Retirement Income Security Act of 1974 but not more than the maximum amount deductible for income tax purposes. The Plan's assets are held in a trust and consist primarily of investments in common stocks, corporate bonds and U.S. government issues.

Portland General determines net periodic pension expense according to the principles of SFAS No. 87, "Employers' Accounting for Pensions". Differences between the actual and expected return on Plan assets are included in net amortization and deferral and are considered in the determination of future pension expense.

The following table sets forth the Plan's funded status and amounts recognized in Portland General's financial statements (thousands of dollars):

	1996	1995
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of \$174,540 and \$174,694	\$187,847	\$187,977
Effect of projected future compensation levels	38,841	34,345
Projected benefit obligation (PBO)	226,688	222,322
Plan assets at fair value	323,717	295,516
Plan assets in excess of PBO	97,029	73,194
Unrecognized net experience gain	(95,055)	(71,691)
Unrecognized prior service costs amortized over 13- to 16-year periods	11,846	13,180
Unrecognized net transition asset being recognized over 18 years	(15,660)	(17,618)
Pension liability	\$ (1,840)	\$ (2,935)

	1996	1995	1994
ASSUMPTIONS:			
Discount rate used to calculate PBO	7.50%	7.00%	8.50%
Rate of increase in future compensation levels	5.50	5.00	6.50
Long-term rate of return on assets	8.50	8.50	8.50

COMPONENTS OF NET PERIODIC PENSION EXPENSE  
(THOUSANDS OF DOLLARS):

Service cost	\$ 6,940	\$ 5,500	\$ 6,199
Interest cost on PBO	15,911	15,722	14,693
Actual return on plan assets	(39,542)	(61,377)	6,011
Net amortization and deferral	15,596	37,830	(25,971)
Net periodic pension expense/(benefit)	\$ (1,095)	\$ (2,325)	\$ 932

OTHER POST-RETIREMENT BENEFIT PLANS

Portland General accrues for health, medical and life insurance costs during the employees' service years, in accordance with SFAS No. 106. PGE receives recovery for the annual provision in customer rates. Employees are covered under a Defined Dollar Medical Benefit Plan which limits Portland General's obligation by establishing a maximum contribution per employee. The accumulated benefit obligation for post-retirement health and life insurance benefits at December 31, 1996 was \$27 million, for which there were \$28 million of assets held in trust. The benefit obligation for post-retirement health and life insurance benefits at December 31, 1995 was \$30 million.

Portland General also provides senior officers with additional benefits under an unfunded Supplemental Executive Retirement Plan (SERP). Projected benefit obligations for the SERP are \$15 million at December 31, 1996 and 1995.

DEFERRED COMPENSATION

Portland General provides certain employees with benefits under an unfunded Management Deferred Compensation Plan (MDCP). Obligations for the MDCP are \$30 million and \$25 million at December 31, 1996 and 1995, respectively.

EMPLOYEE STOCK OWNERSHIP PLAN

Portland General has an Employee Stock Ownership Plan (ESOP) which is a part of its 401(k) retirement savings plan. 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 were purchased from a \$36 million loan from PGE to the ESOP trust in late 1990. This loan is presented in the common equity section as unearned compensation. Cash contributions from PGE and dividends on shares held

in the trust are used to pay the debt service on PGE's loan. As the loan is retired, an equivalent amount of stock is allocated to employee accounts. Contributions to the ESOP, combined with dividends on unallocated shares were used to pay principal and interest on PGE's loan. These amounts are not material. Shares of common stock used to match contributions by employees of Portland General and its non-regulated subsidiaries are purchased on the open market.

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 Portland General's effective tax rate. NOTE: The table does not include income taxes related to 1994 gains on discontinued real estate operations (thousands of dollars):

	1996	1995	1994
Income Tax Expense:			
Currently payable			
Federal	\$102,066	\$ 77,845	\$41,833
State	21,472	9,230	7,072
	123,538	87,075	48,905
Deferred income taxes			
Federal	(13,401)	(15,359)	22,269
State	(2,539)	(6,741)	4,472
	(15,940)	(22,100)	26,741
Investment tax credit adjustments	(4,193)	(5,725)	(4,145)
	\$103,405	\$ 59,250	\$ 71,501
Provision Allocated to:			
Operations	\$109,988	\$ 89,064	\$ 71,878
Other income and deductions	(6,583)	(29,814)	(377)
	\$103,405	\$ 59,250	\$ 71,501
Effective Tax Rate Computation:			
Computed tax based on			
statutory federal income			
tax rates applied to			
income before income taxes	\$ 81,529	\$ 49,101	\$ 57,596
Increases (Decreases) resulting from:			
Flow through depreciation	9,497	6,715	8,283
Regulatory disallowance	-	3,470	-
State and local taxes - net	11,719	4,857	8,953
State of Oregon refund	-	(3,668)	-
Investment tax credits	(4,193)	(5,725)	(4,145)
Excess deferred taxes	(750)	(700)	(767)
Merger expenses	3,724	-	-
Preferred dividend requirement	912	3,155	3,526
Other	967	2,045	(1,945)
	\$103,405	\$ 59,250	\$ 71,501
Effective tax rate	44.4%	42.2%	43.5%

As of December 31, 1996 and 1995, the significant components of the Company's deferred income tax assets and liabilities were as follows (thousands of dollars):

	1996	1995
DEFERRED TAX ASSETS		
Plant-in-service	\$ 64,471	\$ 86,721
Other	61,012	60,245
	125,483	146,966
DEFERRED TAX LIABILITIES		
Plant-in-service	(414,417)	(448,049)
Energy efficiency programs	(32,026)	(30,314)
Trojan abandonment	(69,315)	(54,335)
WNP-3 exchange contract	(59,302)	(60,489)
Leasing	(136,478)	(142,606)
Other	(7,918)	(43,470)
	(719,456)	(779,263)
Less current deferred taxes	(430)	(414)
Less valuation allowance	(20,173)	(20,135)
Total	\$(614,576)	\$(652,846)

Portland General has recorded deferred tax assets and liabilities for all temporary differences between the financial statement and tax basis of assets and liabilities. Valuation allowances represent capital loss carryforwards that presently cannot be offset with capital gains.

NOTE 4 - COMMON AND PREFERRED STOCK

COMMON AND PREFERRED STOCK

	COMMON STOCK Number OF SHARES	\$3.75 Par VALUE	CUMULATIVE PREFERRED OF SUBSIDIARY Number OF SHARES	\$100 Par VALUE	Other No-Par VALUE	Paid-in CAPITAL	Unearned COMPENSATION*
(thousands of dollars except share amounts)							
December 31, 1993	47,634,653	\$178,630	1,497,040	\$119,704	\$30,000	\$519,058	\$(19,151)
Sales of stock	2,864,839	10,743	-	-	-	40,390	-
Redemption of stock	(4,000)	(15)	(200,000)	(20,000)	-	2,055	-
Repayment of ESOP loan and other	-	-	-	-	-	2,412	5,515
December 31, 1994	50,495,492	\$189,358	1,297,040	\$ 99,704	\$30,000	\$563,915	\$(13,636)
Sales of stock	539,057	2,022	-	-	-	9,355	-
Redemption of stock	(21,000)	(79)	(797,040)	(79,704)	-	2,778	-
Repayment of ESOP loan and other	-	-	-	-	-	(1,580)	5,130
December 31, 1995	51,013,549	\$191,301	500,000	\$20,000	\$30,000	\$574,468	\$ (8,506)
Sales of stock	350,778	1,315	-	-	-	5,335	-
Redemption of stock	(46,499)	(174)	(200,000)	(20,000)	-	449	-
Tax benefits stock options, repayment of ESOP loan and other	-	-	-	-	-	4,020	5,434
December 31, 1996	51,317,828	\$192,442	300,000	\$ -	\$30,000	\$584,272	\$(3,072)

\*See the discussion of stock compensation plans below and Note 2, Employee Benefits, for a description of the ESOP.

COMMON STOCK

As of December 31, 1996, Portland General had reserved 2,333,386 and 8,185 authorized but unissued common shares for issuance under its dividend reinvestment plan and employee stock purchase plan, respectively.

CUMULATIVE PREFERRED STOCK

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.

PGE's cumulative preferred stock consisted of:

At December 31,	1996	1995
	(thousands of dollars)	
Subject to mandatory redemption		
No par value 30,000,000 shares authorized		
7.75% Series 300,000 shares outstanding	\$30,000	\$30,000
\$100 par value, 2,500,000 shares authorized		
8.10% Series 200,000 shares outstanding	-	20,000
Current sinking fund	-	(10,000)
	\$30,000	\$40,000

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**

PGE is restricted from paying dividends or making other distributions to Portland General without prior OPUC approval to the extent such payment or distribution would reduce PGE's common stock equity capital below 36% of its total capitalization. At December 31, 1996, PGE's common stock equity capital was 49% of its total capitalization.

**STOCK COMPENSATION PLANS**

Portland General has authorized 2.3 million shares of Portland General common stock under its Long-Term Incentive Plan (LTIP). Stock options represent the majority of activity under this plan. Stock option plan activity is as follows:

	Options	Option Price Per Share
December 31, 1993	856,800	\$14-\$22.25
Granted	32,000	\$13-\$18.125
Exercised	(10,000)	\$15.75
Canceled	(43,500)	\$14-\$22.25
December 31, 1994	835,300	\$13-\$22.25
Granted	88,600	\$17-\$25
Exercised	(114,400)	\$14.75 - \$18.125
Canceled	(17,000)	\$14 - \$20
December 31, 1995	792,500	\$13 - \$25
Granted	373,029	\$25 - \$43.50
Exercised	(306,930)	\$14 - \$25
Canceled	(31,096)	\$14 - \$37.625
December 31, 1996	827,503	\$13 - \$43.25
Stock options exercisable at December 31, 1996	473,870	\$13 - \$25

At December 31, 1996, 831,946 common shares were available for issuance under the LTIP.

Portland General accounts for stock-based compensation plans under APB Opinion 25. Due to a limited number of Portland General stock options granted on an annual basis, the amount of compensation expense, which would be required to be disclosed under Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation", is not material.

NOTE 5 - SHORT-TERM BORROWINGS

At December 31, 1996, Portland General and PGE had total committed lines of credit of \$220 million. Portland General has a \$20 million committed facility expiring in July 1997. PGE has a committed facility of \$200 million expiring in July 2000. These lines of credit have annual fees of 0.10% and do not require compensating cash balances. The facilities are used primarily as backup for both commercial paper and borrowings from commercial banks under uncommitted lines of credit. At December 31, 1996, there were no outstanding borrowings under the committed facilities.

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.

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

	1996	1995	1994
	(thousands of dollars)		
AS OF YEAR-END:			
Aggregate short-term debt outstanding			
Commercial paper	\$ 83,027	\$170,248	\$148,598
Bank loans	9,000	-	-
Weighted average interest rate*			
Commercial paper	5.6%	6.1%	6.2%
Bank loans	7.3	-	-
Unused committed lines of credit	\$220,000	\$215,000	\$215,000
FOR THE YEAR ENDED:			
Average daily amounts of short-term debt outstanding			
Commercial paper	158,259	111,366	138,718
Bank loans	\$ 7,013	\$ 206	\$ 1,273
Weighted daily average interest rate*			
Commercial paper	5.6	6.3	4.5
Bank loans	5.8%	6.5%	4.3%
Maximum amount outstanding during the year	\$251,462	\$170,248	\$174,082

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

NOTE 6 - LONG-TERM DEBT

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.

Schedule of long-term debt at December 31	1996	1995
	(thousands of dollars)	
<b>First Mortgage Bonds</b>		
Maturing 1996 through 2001		
5.875 % Series due June 1, 1996	\$ -	\$ 5,066
6.60% Series due October 1, 1997	15,063	15,363
Medium-term notes 5.65% - 9.00%	295,000	210,000
Maturing 2002 - 2007 6.47% - 9.07%	168,000	260,595
Maturing 2021 - 2023 7.75% - 9.46%	195,000	195,000
	673,063	686,024
<b>Pollution Control Bonds</b>		
Port of Morrow, Oregon, variable rate (Average 3.5% - 4.3% for 1996), due 2013 & 2031	29,400	23,600
City of Forsyth, Montana, variable rate (Average variable rates 3.4%- 3.5% for 1996), due 2013-2016	118,800	118,800
Amount held by trustee	(8,236)	(8,152)
Port of St. Helens, Oregon, variable rate due 2010 and 2014 (Average variable rates 3.4% - 3.5% for 1996)	51,600	51,600
	191,564	185,848
<b>Other</b>		
8.25% Junior Subordinated Deferrable Interest Debentures, due December 31, 2035	75,000	75,000
Portland General medium-term notes 8.09% due 1996	-	30,000
6.91% Conservation Bonds maturing monthly to 2006	79,790	-
Capital lease obligations	6,750	9,353
Other	(566)	(555)
	160,974	113,798
	1,025,601	985,670
Long-term debt due within one year	(92,559)	(95,114)
Total long-term debt	\$ 933,042	\$ 890,556

The following principal amounts of long-term debt become due through regular maturities (thousands of dollars):

	1997	1998	1999	2000	2001
<b>Maturities:</b>					
PGE	\$92,559	\$71,073	\$102,124	\$32,222	\$57,737

NOTE 7 - OTHER FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable 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 Portland General for debt of similar remaining maturities.

The estimated fair values of financial instruments are as follows (thousands of dollars):

	1996		1995	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Preferred stock subject to mandatory redemption	\$ 30,000	\$ 31,455	\$ 50,000	\$ 52,900
Long-term debt				
PGC (Parent only)	\$ -	\$ -	\$ 30,000	\$ 30,531
PGE	939,627	959,668	946,872	994,996
	\$939,627	\$959,668	\$976,872	\$1,025,527
Interest rate swaps in net receivable position	-	\$582	-	-

NON-TRADING ACTIVITIES

Commodity - Company policy allows the use of financial instruments such as commodity futures, options and swap contracts to hedge the price of natural gas and electricity and reduce the Company's exposure to market fluctuations in these commodities. In 1996 hedge transactions consisted of commodity futures and swap contracts where the Company receives from or makes payments to counterparties based on the differential between a fixed price and an index reference price for natural gas or electricity. The Company is exposed to credit risk in the event of non-performance by the counterparties and has established guidelines to mitigate this risk.

At December 31, 1996 and 1995 outstanding futures and swap contracts related to natural gas had an absolute notional contract quantity of 6,085,000 million British thermal units (MMBtu) and 4,500,000 MMBtu's, respectively. In addition, outstanding swap contracts related to electricity had an absolute notional contract quantity of 1,410,000 Mwh and 256,000 Mwh as of December 31, 1996 and 1995, respectively. The commodity futures and swap contracts extend for a period of up to three years. Recognition of gains or losses on hedging instruments is deferred until the underlying physical transaction occurs. Upon recognition, these gains or losses are recognized in income as a reduction to or increase in purchased power and fuel expense.

The estimated fair value of outstanding natural gas financial instruments was \$5,153,000 at December 31, 1996 and \$(261,000) at December 31, 1995. The estimated fair value of outstanding electricity financial instruments was \$(375,000) at December 31, 1996 and \$(335,000) at December 31, 1995.

INTEREST RATE - In August 1996 PGE entered into a 3 year interest rate swap agreement with a notional amount of \$50 million. This puts PGE in a floating rate position on the additional \$50 million of long term debt issued in August 1996. At December 31, 1996, the fair value PGE would receive if the interest rate swap agreement was terminated is not material.

#### TRADING ACTIVITIES

In addition to hedging activities, Company policy allows the use of the financial instruments noted above for trading purposes in support of Company operations. Realized and unrealized gains or losses on commodity-based financial instruments that do not qualify as hedges are recognized in income on a current basis in purchased power and fuel expense. Net losses arising from natural gas trading activities during the period ended December 31, 1996 were \$4,481,000. Net gains arising from electricity trading activities during the period ended December 31, 1996 were \$260,000. At December 31, 1996 outstanding swap and option contracts related to natural gas had an absolute notional contract quantity of 280,000 MMBtu's. In addition, outstanding futures, swap and option contracts related to electricity had an absolute notional contract quantity of 1,099,000 Mwh as of December 31, 1996. The commodity futures, swaps and option contracts extend for a period of up to two years. The Company is exposed to credit risk in the event of non-performance by the counterparties and has established guidelines to mitigate this risk.

The fair value of the financial instruments as of December 31, 1996 and the average fair value of those instruments held during the year are as follows (thousands of dollars):

PRODUCT	FAIR VALUE AS OF 12/31/96		AVERAGE FAIR VALUE FOR THE YEAR ENDED (A) 12/31/96	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Natural Gas	\$ 48	\$ 360	\$ 52	\$ 528
Electricity	\$2,296	\$2,469	\$1,181	\$1,476

(a) Computed using the ending balance at each month end.

#### NOTE 8 - 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 \$16 million annually in 1997 through 2001, and \$124 million over the remaining years of the contracts which expire at varying dates from 1998 to 2015. PGE has the right to assign unused capacity to other parties.

##### PURCHASE COMMITMENTS

Purchase commitments outstanding (principally construction at PGE) which include coal and railroad service agreements totaled approximately \$63 million at December 31, 1996. Cancellation of these purchase agreements could result in cancellation charges.

##### 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 (thousands of dollars):

	ROCKY REACH	PRIEST RAPIDS	WANAPUM	WELLS	PORTLAND HYDRO
Revenue bonds outstanding at December 31, 1996	\$200,011	\$186,785	\$209,130	\$183,920	\$ 36,825
PGE's current share of:					
Output	12.0%	13.9%	18.7%	21.8%	100%
Net capability (megawatts)	154	128	194	177	36
Annual cost, including debt service:					
1996	\$5,300	\$3,700	\$4,700	\$5,700	\$4,300
1995	4,900	3,900	4,700	5,700	4,300
1994	4,500	3,400	4,800	6,600	4,600
Contract expiration date	2011	2005	2009	2018	2017

PGE's share of debt service costs, excluding interest, will be approximately \$8 million for 1997, \$5 million for 1998, \$6 million for 1999 and 2000, and \$7 million for 2001. The minimum payments through the remainder of the contracts are estimated to total \$87 million.

PGE has entered into long-term contracts to purchase power from other utilities in the West. These contracts will require fixed payments of up to \$26 million in 1997 through 1999, \$23 million in 2000, and \$21 million in 2001. After that date, capacity contract charges will average \$19 million annually until 2016.

#### 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 amounted to \$22 million for 1996, 1995 and 1994. PGE has capitalized its combustion turbine leases. However, these leases are considered operating leases for ratemaking purposes.

Future minimum lease payments under non-cancelable leases are as follows (thousands of dollars):

YEAR ENDING DECEMBER 31	CAPITAL LEASES	OPERATING LEASES (NET OF SUBLEASE RENTALS)	TOTAL
1997	\$ 3,016	\$ 19,988	\$ 23,004
1998	3,016	19,446	22,462
1999	1,388	20,007	21,395
2000	-	20,053	20,053
2001	-	20,326	20,326
Remainder	-	190,800	190,800
Total	7,420	\$290,620	\$298,040
Imputed Interest	(670)		
Present Value of Minimum Future Net Lease Payments	\$ 6,750		

Included in the future minimum operating lease payments schedule above is approximately \$124 million for Portland General's and PGE's headquarters complex.

NOTE 9 - WNP-3 SETTLEMENT EXCHANGE AGREEMENT

PGE is selling energy received under a WNP-3 Settlement Exchange Agreement (WSA) to WAPA for 25 years which began in October 1990. Revenues from the WAPA sales contract and market sales are used to support the carrying value of PGE's investment. A portion of the energy under the WSA contract is sold at market prices.

The energy received by PGE under WSA is the result of a settlement related to litigation surrounding the abandonment of WNP-3. PGE receives about 65 average annual MW for approximately 30 years from BPA under the WSA which began in 1987. In exchange, PGE will make available to BPA energy from its combustion turbines or from other available sources at an agreed-to price.

In light of declining market prices for wholesale power, an evaluation of expected future cash flows was completed in late 1996. The Company's best estimates, given reasonable operating assumptions and revenue projections, show that cash flow is expected to be sufficient to support the carrying value of PGE's investment.

PGE will continue to monitor related cash flows in light of the continued competitive pressure on electricity prices, as well as possible changes in contractual terms, conditions, and obligations.

NOTE 10 - JOINTLY-OWNED PLANT

At December 31, 1996, PGE had the following investments in jointly owned generating plants (thousands of dollars):

FACILITY	LOCATION	FUEL	MW CAPACITY	PGE % INTEREST	PLANT IN SERVICE	ACCUMULATED DEPRECIATION
Boardman	Boardman, OR	Coal	508	65.0	\$375,133	\$188,352
Colstrip 3&4	Colstrip, MT	Coal	1,440	20.0	452,762	205,259
Centralia	Centralia, WA	Coal	1,310	2.5	9,715	5,880

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 Portland General's and PGE's consolidated income statements.

NOTE 11 - LEGAL MATTERS

BONNEVILLE PACIFIC LAWSUIT - On October 7, 1996 the bankruptcy court approved the settlement entered into by Portland General and Portland General Holdings (collectively referred to as Portland) with the Bonneville Pacific Corporation's (Bonneville) bankruptcy trustee (Trustee). Pursuant to the settlement, Bonneville and its estate released all claims and causes of action, including those asserted in the Trustee's civil action against Portland and its current and former officers and directors. In exchange, Portland released any and all claims against Bonneville, its estate and related entities and individuals relating to its equity investment in and loans to Bonneville, except that Portland will retain ownership of 2 million shares of Bonneville common stock. The settlement with the trustee will not have a material impact on Portland General's results of operations.

In early 1997 Portland received payments for certain litigation and settlement costs in other matters related to the Bonneville Pacific lawsuit. These payments will be recognized into income during the first quarter of 1997.

TROJAN INVESTMENT RECOVERY - In April 1996 a circuit court judge in Marion County, Oregon found 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. The 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.

The November 1994 ruling, by a different judge of the same court, upheld the Commission's 1993 Declaratory Ruling (DR-10). In DR-10 the OPUC ruled that PGE could recover and earn a return on its undepreciated Trojan investment, provided certain conditions were met. The Commission relied on a 1992 Oregon Department of Justice opinion issued by the Attorney General's office stating that the Commission had the authority to set prices including recovery of and on investment in plant that is no longer in service.

The 1994 ruling was appealed to the Oregon Court of Appeals and stayed pending the appeal of the Commission's March 1995 order. Both PGE and the OPUC have separately appealed the April 1996 ruling which were combined with the appeal of the November 1994 ruling at the Oregon Court of Appeals.

Management believes that the authorized recovery of and on the Trojan investment and decommissioning costs will be upheld and that these legal challenges will not have a material adverse impact on the results of operations or financial condition of the Company for any future reporting period.

OTHER LEGAL MATTERS - Portland General and certain of its subsidiaries are party to various other claims, legal actions and complaints arising in the ordinary course of business. These claims are not considered material.

NOTE 12 - 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 dismantlement begins in 1998 are estimated at \$24 million and will be paid from current operating funds.

DECOMMISSIONING - In 1996, PGE received approval of the decommissioning plan submitted to the NRC and EFSC during 1995. The plan estimates PGE's cost to decommission Trojan at \$358 million, reflected in nominal dollars (actual dollars expected to be spent in each year). The plan represents a site-specific decommissioning estimate performed for Trojan by an engineering firm experienced in estimating the cost of decommissioning nuclear plants. This estimate assumes that the majority of decommissioning activities will occur between 1997 and 2001, while fuel management costs extend through the year 2018. Final site restoration activities are anticipated to begin in 2018 after PGE completes shipment of spent fuel to a USDOE facility (see the Nuclear Fuel Disposal discussion below). The cost estimate is adjusted periodically due to refinement of the timing and scope of certain dismantlement activities. Stated in 1996 dollars, the current decommissioning cost estimate is \$256 million.

TROJAN DECOMMISSIONING LIABILITY  
(thousands of dollars)

Estimate - 12/31/94	\$351,294
Updates filed with NRC - 11/16/95	7,084
	358,378
Expenditures through 12/31/96	(24,144)
Liability - 12/31/96	\$334,234
Decommissioning	\$334,234
Transition costs	23,610
Total Trojan obligation	\$357,844

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 1996 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.

INVESTMENT RECOVERY - The OPUC issued an order in March 1995 authorizing PGE to recover all of the estimated costs of decommissioning Trojan and 87% of the remaining investment in the plant. Amounts are to be collected over Trojan's original license period ending in 2011. The OPUC's order and the agency's authority to grant recovery of the Trojan investment under Oregon law are being challenged in state courts. Management believes that the authorized recovery of the Trojan investment and decommissioning costs will be upheld and that these legal challenges will not have a material adverse impact on the results of operations or financial condition of the Company for any future reporting period.

DECOMMISSIONING TRUST ACTIVITY  
(thousands of dollars)

Beginning Balance	\$68,774	\$58,485
ACTIVITY		
Contributions	15,435	16,598
Gain	2,127	7,212
Disbursements	(7,888)	(13,521)
Ending Balance	\$78,448	\$68,774

NUCLEAR FUEL DISPOSAL AND CLEANUP OF FEDERAL PLANTS - PGE contracted with the USDOE for permanent disposal of its spent nuclear fuel in federal facilities at a cost of .1 cent per net kilowatt-hour sold at Trojan which the Company paid during the period the plant operated. Significant delays are expected in the USDOE 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 five 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 \$155 million level.

NOTE 13 -SCE CONTRACT TERMINATION AGREEMENT

In March 1996, PGE and SCE entered into a termination agreement for the Power Sales Agreement between the two companies. The FERC and the CPUC have approved terms and conditions of the agreement.

The agreement requires that SCE pay PGE \$141 million over the next 6 years (\$15 million per year in 1997 through 1999 and \$32 million per year in 2000 through 2002). PGE recorded a discounted receivable in the amount of \$112.7 million of which \$1.25 million was received in 1996. Disposition of the gain has been deferred pending OPUC determination of the appropriate regulatory treatment.

QUARTERLY COMPARISON FOR 1996 AND 1995 (UNAUDITED)

PORTLAND GENERAL CORPORATION

	MARCH 31 (THOUSANDS)	JUNE 30 OF DOLLARS	SEPTEMBER 30 EXCEPT PER SHARE	DECEMBER 31 AMOUNTS)
<b>1996</b>				
Operating revenues	\$300,581	\$233,425	\$260,091	\$317,719
Net operating income	66,744	51,675	44,742	61,398
Net income	49,362	33,679	20,541	25,954
Common stock				
Average shares outstanding	51,063,105	51,109,790	51,158,923	51,243,669
Earnings per average share{1}	\$ .97	\$.66	\$.40	\$.51
<b>1995</b>				
Operating revenues	\$259,177	\$219,892	\$222,612	\$281,901
Net operating income	49,553	47,179	40,266	58,578
Net income/(loss)	(1,954)	32,403	14,181	36,406
Common stock				
Average shares outstanding	50,591,449	50,697,040	50,798,082	50,976,781
Earnings/(loss) per average share{1}	\$(.04)	\$.64	\$.28	\$.71

{1}As a result of dilutive effects of shares issued during the period, quarterly earnings per share cannot be added to arrive at annual earnings per share.

PORTLAND GENERAL ELECTRIC COMPANY

	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
	(THOUSANDS OF DOLLARS)			
<b>1996</b>				
Operating revenues	\$300,195	\$232,921	\$259,656	\$317,059
Net operating income	66,816	51,850	45,514	60,566
Net income	50,104	34,914	27,919	42,978
Income available for common stock	49,118	34,269	27,338	42,397
<b>1995</b>				
Operating revenues	\$258,891	\$218,476	\$222,240	\$282,021
Net operating income	49,388	46,499	39,902	59,397
Net income	640	34,800	16,789	40,558
Income/(loss) available for common stock	(1,943)	32,383	14,409	38,294

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

None.

PART III

ITEMS 10-13. INFORMATION REGARDING DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

PORTLAND GENERAL CORPORATION

Information for Items 10-13 is incorporated by reference to Portland General's definitive proxy statement to be filed on or about May 27, 1997. Executive officers of Portland General are listed on page 21 of this report.

PORTLAND GENERAL ELECTRIC COMPANY

Information for Items 10-13 is incorporated by reference to Portland General's definitive proxy statement to be filed on or about May 27, 1997. Executive officers of Portland General Electric are listed on page 21 of this report.

PART IV

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

PORTLAND GENERAL CORPORATION AND PORTLAND GENERAL ELECTRIC COMPANY

(a) INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

	PAGE	NO.
	PGC	PGE
FINANCIAL STATEMENTS		
Report of Independent Public Accountants	34	66
Consolidated Statements of Income for each of the three years in the period ended December 31, 1996	35	67
Consolidated Statements of Retained Earnings for each of the three years in the period ended December 31, 1996	35	67
Consolidated Balance Sheets at December 31, 1996 and 1995	36	68
Consolidated Statement of Cash Flows for each of the three years in the period ended December 31, 1996	37	69
Notes to Financial Statements	38	70

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 59 of this report.

(B) REPORT ON FORM 8-K

	PGC	PGE
November 1, 1996 - Item 5. Other Events: The OPUC staff revised response to rate plan.	X	X

(B) REPORT ON FORM 8-K

	PGC	PGE
November 12, 1996 - Item 5. Other Events: Shareholders approve merger with Enron Corp.	X	X
November 12, 1996 - Item 5. Other Events: The OPUC staff stipulation for settlement on rate proposal.	X	X
November 26, 1996 - Item 5. Other Events: The OPUC approves rate settlement.	X	X
January 16, 1997 - Item 5. Other Events: Preliminary merger recommendation from the OPUC staff.	X	X
January 24, 1997 - Item 5. Other Events: Settlement conferences suspended.	X	X
February 14, 1997 - Item 5. Other Events: Settlement conferences continued.	X	X

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 Corporation

March 3, 1997

By /S/ KEN L. HARRISON  
Ken L. Harrison

Chairman of the Board 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.

/S/ KEN L. HARRISON  
Ken L. Harrison

Chairman of the Board and  
Chief Executive Officer

March 3, 1997

/S/ JOSEPH M. HIRKO  
Joseph M. Hirko

Senior Vice President,  
Chief Financial Officer

March 3, 1997

\*Gwyneth Gamble Booth  
Peter J. Brix  
\*Carolyn S. Chambers  
\*John W. Creighton, Jr.  
\*Richard Geary  
\*Ken L. Harrison  
\*Jerry E. Hudson  
\*Jerome J. Meyer  
\*Randolph L. Miller  
\*Bruce G. Willison

Directors

March 3, 1997

\*By /S/ JOSEPH E. FELTZ  
(Joseph E. Feltz, Attorney-in-Fact)

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 3, 1997

By /S/ KEN L. HARRISON  
Ken L. Harrison

Chairman of the Board 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.

/S/ KEN L. HARRISON Ken L. Harrison	Chairman of the Board and Chief Executive Officer	March 3, 1997
--	--	---------------

/S/ JOSEPH M. HIRKO Joseph M. Hirko	Senior Vice President Chief Financial Officer	March 3, 1997
--	--	---------------

*Gwyneth Gamble Booth Peter J. Brix *Carolyn S. Chambers *John W. Creighton, Jr. *Ken L. Harrison *Jerry E. Hudson *Richard Geary *Jerome J. Meyer *Randolph L. Miller *Bruce G. Willison	Directors	March 3, 1997
--	-----------	---------------

\*By /S/ JOSEPH E. FELTZ  
(Joseph E. Feltz, Attorney-in-Fact)

PORTLAND GENERAL CORPORATION AND SUBSIDIARIES

EXHIBIT INDEX

NUMBER	EXHIBIT	PGC	PGE
(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].	X	X
(3)	ARTICLES OF INCORPORATION AND BYLAWS		
	* Restated Articles of Incorporation of Portland General Corporation [Pre-effective Amendment No. 1 to Form S-4, Registration No. 33-1987, dated December 31, 1985, Exhibit (B)].	X	
	* Certificate of Amendment, dated July 2, 1987, to the Articles of Incorporation limiting the personal liability of directors of Portland General Corporation [Form 10-K for the fiscal year ended December 31, 1987, Exhibit (3)].	X	
	* Copy of Articles of Incorporation of Portland General Electric Company [Registration No. 2-85001, Exhibit (4)].		X
	* 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)].		X
	* Form of Articles of Amendment of the New Preferred Stock of Portland General Electric Company [Registration No. 33-21257, Exhibit (4)].		X
	* Bylaws of Portland General Corporation as amended on February 5, 1991 [Form 10-K for the fiscal year ended December 31, 1990, Exhibit (10)].	X	
	* 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)].		X
(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)].	X	X

PORTLAND GENERAL CORPORATION AND SUBSIDIARIES

EXHIBIT INDEX

NUMBER	EXHIBIT	PGC	PGE
(4) CONT.	* Forty-First Supplemental Indenture dated December 1, 1991 [Form 10-K for the fiscal year ended December 31, 1991, Exhibit (4)].	X	X
	* Forty-Second Supplemental Indenture dated April 1, 1993 [Form 10-Q for the quarter ended March 31, 1993, Exhibit (4)].	X	X
	* Forty-Third Supplemental Indenture dated July 1, 1993 [Form 10-Q for the quarter ended September 30, 1993, Exhibit (4)].	X	X
	* Forty-Fourth Supplemental Indenture dated August 1, 1994 [Form 10-Q for the quarter ended September 30, 1994, Exhibit (4)].	X	X
	* Forty-Fifth Supplemental Indenture dated May 1, 1995 [Form 10-Q for the quarter ended June 30, 1995, Exhibit (4)].	X	X
	Forty-Sixth Supplemental Indenture dated August 1, 1996 (Filed herewith).	X	X
	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)].	X	X
	* 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)].	X	X
	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)].	X	X
	* Long-term Transmission Service Agreement, dated November 5, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].	X	X
	* Participation Agreement, dated December 30, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].	X	X

PORTLAND GENERAL CORPORATION AND SUBSIDIARIES

EXHIBIT INDEX

NUMBER	EXHIBIT	PGC	PGE
(10) CONT.	* Lease Agreement, dated December 30, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].	X	X
	* PGE-Lessee Agreement, dated December 30, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].	X	X
	* Asset Sales Agreement, dated December 30, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].	X	X
	* 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)].	X	X
	* Supplemental Bill of Sale, dated December 30, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].	X	X
	* Trust Agreement, dated December 30, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].	X	X
	* Tax Indemnification Agreement, dated December 30, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].	X	X
	* Trust Indenture, Mortgage and Security Agreement, dated December 30, 1985 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].	X	X
	* Restated and Amended Trust Indenture, Mortgage and Security Agreement, dated February 27, 1986 [Form 10-K for the fiscal year ended December 31, 1985, Exhibit (10)].	X	X
	* Portland General Corporation Outside Directors' Deferred Compensation Plan, 1996 Restatement dated January 1, 1996 [Form 10-Q for the quarter ended June 30, 1996, Exhibit (10)].	X	X
	* Portland General Corporation Outside Directors' Deferred Compensation Plan, Amendment No. 1 dated October 18, 1996 [Form 10-Q for the quarter ended June 30, 1996, Exhibit (10)].	X	X
	Portland General Corporation Outside Directors' Deferred Compensation Plan, 1996 Restatement, Amendment No. 2 dated November 4, 1996 (filed herewith).	X	X

PORTLAND GENERAL CORPORATION AND SUBSIDIARIES

EXHIBIT INDEX

NUMBER	EXHIBIT	PGC	PGE
(10) CONT.	* Portland General Corporation Retirement Plan for Outside Directors, 1996 Restatement dated January 1, 1996 [Form 10-Q for the quarter ended June 30, 1996, Exhibit (10)].	X	X
	* Portland General Corporation Outside Directors' Life Insurance Benefit Plan, 1996 Restatement dated January 1, 1996 [Form 10-Q for quarter ended June 30, 1996, Exhibit (10)].	X	X
	* Portland General Corporation Outside Directors' Life Insurance Benefit Plan, 1996 Restatement, Amendment No. 1 dated September 10, 1996 [Form 10-Q for the quarter ended September 31, 1996, Exhibit (10)].	X	X
	* Portland General Corporation Outside Directors' Stock Compensation Plan, Amended and Restated December 6, 1996 [Form 10-K for the fiscal year ended December 31, 1991, Exhibit (10)].	X	
	Portland General Corporation Outside Directors' Stock Compensation Plan, Amendment No. 1 dated October 2, 1996 (filed herewith).	X	
	EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS		
	* Portland General Corporation Management Deferred Compensation Plan, 1996 Restatement dated January 1, 1996 [Form 10-Q for the quarter ended June 30, 1996, Exhibit (10)].	X	X
	* Portland General Corporation Management Deferred Compensation Plan, Amendment No. 1 dated October 18, 1996 [Form 10-Q for the quarter ended June 30, 1996, Exhibit (10)].	X	X.
	Portland General Corporation Management Deferred Compensation Plan, 1996 Restatement, Amendment No. 2 dated November 4, 1996 (filed herewith).	X	
	* Portland General Corporation Senior Officers Life Insurance Benefit Plan, 1996 Restatement Amendment No. 1 dated October 22, 1996 [Form 10-Q for the quarter ended March 31, 1996, Exhibit (10)].	X	X
	* Portland General Corporation Annual Incentive Master Plan [Form 10-K for the fiscal year ended December 31, 1987, Exhibit (10)].	X	X
	* Portland General Corporation 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)].	X	X

PORTLAND GENERAL CORPORATION AND SUBSIDIARIES

EXHIBIT INDEX

NUMBER	EXHIBIT	PGC	PGE
(10) CONT.	* Portland General Electric Company Annual Incentive Master Plan [Form 10-K for the fiscal year ended December 31, 1987, Exhibit (10)].		X
	* 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)].		X
	* Portland General Corporation Supplemental Executive Retirement Plan, 1996 Restatement dated January 1, 1996 [Form 10-Q for the quarter ended March 31, 1996, Exhibit (10)].	X	X
	* Portland General Corporation Supplemental Executive Retirement Plan, Amendment No. 1 dated January 1, 1991, [Form 10-K for the fiscal year ended December 31, 1991, Exhibit (10)].	X	X
	* Change in Control Severance Agreement, effective October 1, 1994 [Form 10-K for the fiscal year ended December 31, 1994, Exhibit (10)].	X	X
	Portland General Corporation Amended and Restated 1990 Long-Term Incentive Master Plan, 1996 Restatement dated September 10, 1996 (filed herewith).	X	
	* Portland General Corporation 1990 Long-Term Incentive Master Plan, Amendment No. 1 dated February 8, 1994 [Form 10-K for the fiscal year ended December 31, 1993, Exhibit (10)].	X	
(23)	CONSENTS OF EXPERTS AND COUNSEL		
	Portland General Corporation Consent of Independent Public Accountants (filed herewith).	X	
	Portland General Electric Company Consent of Independent Public Accountants (filed herewith).		X
(24)	POWER OF ATTORNEY		
	Portland General Corporation Power of Attorney (filed herewith).	X	
	Portland General Electric Company Power of Attorney (filed herewith).		X

PORTLAND GENERAL CORPORATION AND SUBSIDIARIES

EXHIBIT INDEX

NUMBER	EXHIBIT	PGC	PGE
(99)	ADDITIONAL EXHIBITS		
	Form 11-K relating to Employee Stock Purchase Plan of Portland General Corporation.	X	

\* 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:

Joseph M. Hirko  
Senior Vice President  
Chief Financial Officer

Portland General Corporation  
121 SW Salmon Street  
Portland, OR 97204

APPENDIX

PORTLAND GENERAL ELECTRIC COMPANY

TABLE OF CONTENTS

PART II	PAGE
ITEM 8. FINANCIAL STATEMENTS AND NOTES .....	67
	65

## MANAGEMENT'S STATEMENT OF RESPONSIBILITY

PGE's management is responsible for the preparation and presentation of the consolidated financial statements in this report. Management is also responsible for the integrity and objectivity of the statements. Generally accepted accounting principles have been used to prepare the statements, and in certain cases informed estimates have been used that are based on the best judgment of management.

Management has established, and maintains, a system of internal accounting controls. The controls provide reasonable assurance that assets are safeguarded, transactions receive appropriate authorization, and financial records are reliable. Accounting controls are supported by written policies and procedures, an operations planning and budget process designed to achieve corporate objectives, and internal audits of operating activities.

PGE's Board of Directors includes an Audit Committee composed entirely of outside directors. It reviews with management, internal auditors and independent auditors the adequacy of internal controls, financial reporting, and other audit matters.

Arthur Andersen LLP is PGE's independent public accountant. As a part of its annual audit, selected internal accounting controls are reviewed in order to determine the nature, timing and extent of audit tests to be performed. All of the corporation's financial records and related data are made available to Arthur Andersen LLP. Management has also endeavored to ensure that all representations to Arthur Andersen LLP were valid and appropriate.

Joseph M. Hirko  
Senior Vice President,  
Chief Financial Officer

## 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 and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1996. 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, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Portland, Oregon,  
January 20, 1997

PORTLAND GENERAL ELECTRIC COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31	1996	1995	1994
	(THOUSANDS OF DOLLARS)		
OPERATING REVENUES	\$ 1,109,831	\$ 981,628	\$ 958,955
OPERATING EXPENSES			
Purchased power and fuel	316,729	293,589	347,125
Production and distribution	81,968	63,841	61,891
Maintenance and repairs	55,508	47,532	47,389
Administrative and other	111,308	106,128	97,987
Depreciation and amortization	154,586	134,340	124,003
Taxes other than income taxes	52,325	51,489	52,038
Income taxes	112,661	89,523	75,314
NET OPERATING INCOME	224,746	195,186	153,208
OTHER INCOME (DEDUCTIONS)			
Regulatory disallowances - net of income taxes of \$25,542	-	(49,567)	-
Allowance for equity funds used during construction	-	3,257	271
Other	5,234	8,415	15,500
Income taxes	1,451	4,272	377
	6,685	(33,623)	16,148
INTEREST CHARGES			
Interest on long-term debt and other	68,116	69,667	61,493
Interest on short-term borrowings	9,042	6,917	5,788
Allowance for borrowed funds used during construction	(1,642)	(7,808)	(4,043)
	75,516	68,776	63,238
NET INCOME	155,915	92,787	106,118
PREFERRED DIVIDEND REQUIREMENT	2,793	9,644	10,800
INCOME AVAILABLE FOR COMMON STOCK	\$ 153,122	\$ 83,143	\$ 95,318

PORTLAND GENERAL ELECTRIC COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31	1996	1995	1994
	(THOUSANDS OF DOLLARS)		
BALANCE AT BEGINNING OF YEAR	\$ 246,282	\$ 216,468	\$ 179,297
NET INCOME	155,915	92,787	106,118
ESOP TAX BENEFIT & OTHER	(2,093)	(3,570)	(1,705)
	400,104	305,685	283,710
DIVIDENDS DECLARED			
Common stock	105,187	50,456	56,442
Preferred stock	2,793	8,947	10,800
	107,980	59,403	67,242
BALANCE AT END OF YEAR	\$ 292,124	\$ 246,282	\$ 216,468

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

PORTLAND GENERAL ELECTRIC COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31	1996	1995	(THOUSANDS OF DOLLARS)
ASSETS			
ELECTRIC UTILITY PLANT - ORIGINAL COST			
Utility plant (includes Construction Work in Progress of \$36,919 and \$33,382)	\$ 2,899,746	\$ 2,754,280	
Accumulated depreciation	(1,124,337)	(1,040,014)	
	1,775,409	1,714,266	
Capital leases - less amortization of \$30,569 and \$27,966	6,750	9,353	
	1,782,159	1,723,619	
OTHER PROPERTY AND INVESTMENTS			
Contract termination receivable	111,447	-	
Trojan decommissioning trust, at market value	78,448	68,774	
Corporate Owned Life Insurance, less loans of \$ 26,411 and \$26,432	51,410	44,635	
Other investments	20,700	24,943	
	262,005	138,352	
CURRENT ASSETS			
Cash and cash equivalents	19,477	2,241	
Accounts and notes receivable	145,372	102,592	
Unbilled and accrued revenues	53,317	64,516	
Inventories, at average cost	32,903	38,338	
Prepayments and other	16,476	15,619	
	267,545	223,306	
DEFERRED CHARGES			
Unamortized regulatory assets			
Trojan investment	275,460	301,023	
Trojan decommissioning	282,131	311,403	
Income taxes recoverable	195,592	217,366	
Debt reacquisition costs	28,063	29,576	
Conservation investments - secured	80,102	-	
Energy efficiency programs	11,974	77,945	
Other	22,575	24,322	
WNP-3 settlement exchange agreement	163,217	168,399	
Miscellaneous	27,389	30,286	
	1,086,503	1,160,320	
	\$ 3,398,212	\$ 3,245,597	
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	\$ 160,346	\$ 160,346	
Other paid-in capital - net	475,055	466,325	
Retained Earnings	292,124	246,282	
Cumulative preferred stock			
Subject to mandatory redemption	30,000	40,000	
Long-term debt	933,042	890,556	
	1,890,567	1,803,509	
CURRENT LIABILITIES			
Long-term debt and preferred stock due within one year	92,559	75,114	
Short-term borrowings	92,027	170,248	
Accounts payable and other accruals	144,712	132,064	
Accrued interest	14,372	15,442	
Dividends payable	17,117	14,956	
Accrued taxes	31,485	12,870	
	392,272	420,694	
OTHER			
Deferred income taxes	497,734	525,391	
Deferred investment tax credits	47,314	51,211	
Deferred gain on contract termination	112,697	-	
Trojan decommissioning and transition costs	357,844	379,179	
Miscellaneous	99,784	65,613	
	1,115,373	1,021,394	
	\$ 3,398,212	\$ 3,245,597	

The accompanying notes are an integral part of these consolidated balance sheets.

PORTLAND GENERAL ELECTRIC COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31

1996                      1995  
(THOUSANDS OF DOLLARS)                      1994

CASH PROVIDED (USED IN)

OPERATIONS:

Net Income	\$ 155,915	\$ 92,787	\$ 106,118
Non-cash items included in net income:			
Depreciation and amortization	118,845	102,183	94,140
Amortization of WNP-3 exchange agreement	5,182	4,910	4,695
Amortization of Trojan investment	24,244	24,884	26,738
Amortization of Trojan decommissioning	14,041	13,336	11,220
Amortization of deferred charges - other	5,397	(1,777)	2,712
Deferred income taxes - net	(9,071)	1,714	25,720
Regulatory disallowances	-	49,567	-
Changes in working capital:			
(Increase) Decrease in receivables	(32,025)	(11,539)	(29,678)
(Increase) Decrease in inventories	5,435	(7,189)	3,264
Increase (Decrease) in payables	38,233	13,196	(3,470)
Other working capital items - net	(841)	1,946	(20,754)
Trojan decommissioning expenditures	(8,231)	(10,927)	(3,360)
Deferred items - other	34,772	(9,472)	13,987
Miscellaneous - net	5,464	8,871	7,103
	357,360	272,490	238,435

INVESTING ACTIVITIES:

Utility construction - new resources	-	(49,096)	(87,537)
Utility construction - other	(184,717)	(158,198)	(131,675)
Energy efficiency programs	(12,318)	(25,013)	(23,745)
Nuclear decommissioning trust deposits	(15,435)	(16,598)	(11,220)
Nuclear decommissioning trust withdrawals	7,888	13,521	-
Other investments	(4,431)	(8,624)	(9,954)
	(209,013)	(244,008)	(264,131)

FINANCING ACTIVITIES:

Short-term debt - net	(78,221)	21,650	18,678
Borrowings from Corporate Owned Life Insurance	-	4,679	21,731
Long-term debt issued	170,590	147,138	74,631
Long-term debt retired	(97,661)	(69,445)	(29,882)
Preferred stock retired	(20,000)	(79,704)	(20,000)
Common stock issued	-	-	41,055
Dividends paid	(105,819)	(60,149)	(73,026)
	(131,111)	(35,831)	33,187

INCREASE (DECREASE) IN CASH AND

CASH EQUIVALENTS	17,236	(7,349)	7,491
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	2,241	9,590	2,099
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	\$ 19,477	\$ 2,241	\$ 9,590

Supplemental disclosures of cash flow information

Cash paid during the year:			
Interest, net of amounts capitalized	\$ 73,396	\$ 64,136	\$ 55,995
Income taxes	108,277	94,327	44,918

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

PORTLAND GENERAL ELECTRIC COMPANY AND SUBSIDIARIES  
NOTES TO FINANCIAL STATEMENTS

Certain information, necessary for a sufficient understanding of PGE's financial condition and results of operations, is substantially the same as that disclosed by Portland General in this report. Therefore, the following PGE information is incorporated by reference to Part II of Portland General's Form 10-K on the following page numbers.

	PAGE
Notes to Financial Statements	
Note 1A. Summary of Significant Accounting Policies	38
Note 2A. Employee Benefits	40
Note 4B. Preferred Stock	44
Note 6A. Long-Term Debt	47
Note 7A. Other Financial Instruments	48
Note 8A. Commitments	49
Note 9A. WNP-3 Settlement Exchange Agreement	51
Note 10A. Jointly-Owned Plant	51
Note 11A. Legal Matters	51
Note 12A. Trojan Nuclear Plant	52
Note 13A. SCE Contract Termination Agreement	53
Management's Discussion and Analysis of Financial Condition and Results of Operations	24

NOTE 3A - 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 (thousands of dollars):

	1996	1995	1994
Income Tax Expense			
Currently payable			
Federal	\$ 98,320	\$ 74,089	\$ 40,680
State & local	21,963	9,448	8,536
	120,283	83,537	49,216
Deferred income taxes			
Federal	(4,500)	(11,631)	24,856
State & local	(676)	(6,648)	4,811
	(5,176)	(18,279)	29,667
Investment tax credit adjustments	(3,897)	(5,549)	(3,946)
	\$111,210	\$ 59,709	\$ 74,937
Provision Allocated to:			
Operations	\$112,661	\$ 89,523	\$ 75,314
Other income and deductions	(1,451)	(29,814)	(377)
	\$111,210	\$ 59,709	\$ 74,937
Effective Tax Rate Computation:			
Computed tax based on statutory federal income tax rates applied to income before income taxes	\$ 93,494	\$ 53,374	\$ 63,369
Flow through depreciation	9,460	7,389	8,080
Regulatory disallowance	-	3,456	-
State and local taxes - net	11,975	5,552	9,839
State of Oregon refund	-	(4,346)	-
Investment tax credits	(3,897)	(5,549)	(3,946)
Excess deferred tax	(750)	(700)	(767)
Other	928	533	(1,638)
	\$111,210	\$ 59,709	\$ 74,937
Effective tax rate	41.6%	39.2%	41.4%

As of December 31, 1996 and 1995, the significant components of PGE's deferred income tax assets and liabilities were as follows (thousands of dollars):

	1996	1995
DEFERRED TAX ASSETS		
Plant-in-service	\$ 64,471	\$ 86,721
Other	20,563	23,339
	85,034	110,060
DEFERRED TAX LIABILITIES		
Plant-in-service	(414,417)	(448,049)
Energy efficiency programs	(32,026)	(30,314)
Trojan abandonment	(69,315)	(54,335)
WNP-3 exchange contract	(59,302)	(60,489)
Other	(7,897)	(42,470)
	(582,957)	(635,657)
Less current deferred taxes	189	206
Total	\$(497,734)	\$(525,391)

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

#### NOTE 4A - COMMON STOCK

	COMMON Number of Shares	STOCK \$3.75 Par Value	Other Paid-in Capital (thousands of dollars)	Unearned Compensation
December 31, 1993	40,458,877	\$151,721	\$433,978	\$(17,799)
Sales of stock	2,300,000	8,625	32,430	-
Redemption of preferred stock	-	-	2,119	-
Repayment of ESOP loan and other	-	-	1,481	5,203
December 31, 1994	42,758,877	160,346	470,008	(12,596)
Redemption of preferred stock	-	-	3,093	-
Repayment of ESOP loan and other	-	-	338	5,482
December 31, 1995	42,758,877	160,346	473,439	(7,114)
Redemption of preferred stock	-	-	2,195	-
Repayment of ESOP loan and other	-	-	1,677	4,858
December 31, 1996	42,758,877	\$160,346	\$477,311	\$(2,256)

#### COMMON STOCK

Portland General is the sole shareholder of PGE common stock. PGE is restricted, without prior OPUC approval, from paying dividends or making other distributions to Portland General to the extent such payment or distribution would reduce PGE's common stock equity capital below 36% of total capitalization. At December 31, 1996, PGE's common stock equity capital was 49% of its total capitalization.

NOTE 5A - SHORT-TERM BORROWINGS

At December 31, 1996, PGE had total committed lines of credit of \$220 million. PGE has a committed facility of \$200 million expiring in July 2000. The line of credit has an annual fee of 0.10% and does not require compensating cash balances. The facilities are used primarily as backup for both commercial paper and borrowings from commercial banks under uncommitted lines of credit. At December 31, 1996, there were no outstanding borrowings under the committed facilities.

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.

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

	1996	1995	1994
(thousands of dollars)			
AS OF YEAR-END:			
Aggregate short-term debt outstanding			
Commercial paper	\$ 83,027	\$170,248	\$148,598
Bank loans	9,000	-	-
Weighted average interest rate*			
Commercial paper	5.6%	6.1%	6.2%
Bank loans	7.3		
Unused committed lines of credit	\$200,000	\$200,000	\$200,000
FOR THE YEAR ENDED:			
Average daily amounts of short-term debt outstanding			
Commercial paper	158,259	111,366	126,564
Bank loans	\$ 5,265	\$ 206	\$ 1,273
Weighted daily average interest rate*			
Commercial paper	5.6	6.3	4.6
Bank loans	5.7%	6.5%	4.3%
Maximum amount outstanding during the year	\$251,462	\$170,248	\$159,482

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



POWER OF ATTORNEY

The undersigned director(s) of Portland General Corporation hereby appoint(s) Alvin Alexanderson, Joseph M. Hirko and Joseph E. Feltz, and each of them generally, as the attorney-in-fact, in any and all capacities stated herein, to execute on behalf of the undersigned and to file with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the Portland General Corporation Annual Report on Form 10-K for the fiscal year ended December 31, 1996.

Dated: JANUARY 28, 1997  
Carefree, Arizona

/S/ GWYNETH GAMBLE BOOTH  
Gwyneth Gamble Booth

/S/ KEN L. HARRISON  
Ken L. Harrison

\_\_\_\_\_  
Peter J. Brix

/S/ JERRY E. HUDSON  
Jerry E. Hudson

/S/ CAROLYN S. CHAMBERS  
Carolyn S. Chambers

/S/ JEROME J. MEYER  
Jerome J. Meyer

/S/ JOHN W. CREIGHTON, JR.  
John W. Creighton, Jr.

/S/ RANDOLPH L. MILLER  
Randolph L. Miller

/S/ RICHARD GEARY  
Richard Geary

/S/ BRUCE G. WILLISON  
Bruce G. Willison

POWER OF ATTORNEY

The undersigned director(s) of Portland General Electric Company hereby appoint(s) Alvin Alexanderson, Joseph M. Hirko and Joseph E. Feltz, and each of them generally, as the attorney-in-fact, in any and all capacities stated herein, to execute on behalf of the undersigned and to file with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the Portland General Electric Company Annual Report on Form 10-K for the fiscal year ended December 31, 1996.

Dated: JANUARY 28, 1997  
Carefree, Arizona

/S/ GWYNETH GAMBLE BOOTH  
Gwyneth Gamble Booth

/S/ KEN L. HARRISON  
Ken L. Harrison

\_\_\_\_\_  
Peter J. Brix

/S/ JERRY E. HUDSON  
Jerry E. Hudson

/S/ CAROLYN S. CHAMBERS  
Carolyn S. Chambers

/S/ JEROME J. MEYER  
Jerome J. Meyer

/S/ JOHN W. CREIGHTON, JR.  
John W. Creighton, Jr.

/S/ RANDOLPH L. MILLER  
Randolph L. Miller

/S/ RICHARD GEARY  
Richard Geary

/S/ BRUCE G. WILLISON  
Bruce G. Willison



PORTLAND GENERAL CORPORATION  
AMENDED AND RESTATED  
OUTSIDE DIRECTORS' STOCK COMPENSATION PLAN  
AMENDMENT NO. 1

THIS AMENDMENT to the Amended and Restated Portland General Corporation Outside Directors' Stock Compensation Plan (the "Plan") is made and entered into this 2nd day of October, 1996, by Portland General Corporation (the "Corporation");

WHEREAS, the Corporation has established the Plan as amended and restated February 6, 1996; and

WHEREAS, pursuant to Section 11.1 of the Plan, the Board of Directors of the Corporation may amend the Plan, provided that the Plan is not amended more than once each six months and no such amendment shall adversely affect any then outstanding Award; and

WHEREAS, the Board of Directors, by resolutions adopted September 10, 1996, deems it in the best interest of the Corporation to amend the Plan, and that the following amendment does not adversely affect any outstanding Award under the Plan;

NOW, THEREFORE, effective as of September 10, 1996, the Plan is hereby amended as follows:

Section 4.1 is amended to read as follows:

"4.1. VESTING; DELIVERY OF SHARES; FORFEITURES.

4.1 Subject to Sections 3.2(a) and 4.2 through 4.5, shares of Common Stock in an Award shall vest 100 percent on the third Anniversary Date. Five-Year Awards and Transition Awards shall vest and be released as set forth in Section 8. Notwithstanding the foregoing, all Shares of Common Stock in any outstanding Award shall vest 100 percent on the effective date and consummation of the merger of Enron Corporation and Portland General Corporation agreed to in that certain Agreement and Plan of

PAGE 1 - AMENDMENT NO. 1 - ODSC PLAN

Merger by and between Enron Corporation, Portland General Corporation and New Falcon Corp., dated as of July 20, 1996, as that Agreement may be amended or restated from time to time.

IN WITNESS WHEREOF, the Corporation has caused this instrument to be executed as of the day and year first above written.

PORTLAND GENERAL CORPORATION

By: /S/ JOSEPH M. HIRKO

Joseph M. Hirko  
Senior Vice President-Finance

PAGE 2 - AMENDMENT NO. 1 - ODSC PLAN



AMENDED AND RESTATED  
1990 LONG-TERM  
INCENTIVE MASTER PLAN

Portland General Corporation

1996 Restatement

Portland General Corporation  
AMENDED AND RESTATED  
1990 Long-Term Incentive Master Plan  
1996 Restatement

TABLE OF CONTENTS

ARTICLE	SECTION	PAGE
1.	ESTABLISHMENT, PURPOSE, AND DURATION .....	1
	1.1 ESTABLISHMENT OF THE PLAN .....	1
	1.2 PURPOSE OF THE PLAN .....	1
	1.3 DURATION OF THE PLAN .....	1
2.	DEFINITIONS AND CONSTRUCTION .....	2
	2.1 DEFINITIONS .....	2
	2.2 GENDER AND NUMBER .....	5
	2.3 SEVERABILITY .....	5
3.	ADMINISTRATION .....	5
	3.1 THE COMMITTEE .....	5
	3.2 AUTHORITY OF THE COMMITTEE .....	5
	3.3 DECISIONS BINDING .....	6
	3.4 GRANTS OF OPTIONS BY CHIEF EXECUTIVE OFFICER OR INSIDER COMMITTEE .....	6
4.	SHARES SUBJECT TO THE PLAN .....	7
	4.1 NUMBER OF SHARES .....	7
	4.2 LAPSED AWARDS .....	8
	4.3 ADJUSTMENTS IN AUTHORIZED SHARES .....	8
5.	ELIGIBILITY AND PARTICIPATION .....	8
	5.1 ELIGIBILITY .....	8
	5.2 ACTUAL PARTICIPATION .....	9
6.	STOCK OPTIONS .....	9
	6.1 GRANT OF OPTIONS .....	9
	6.2 OPTION AGREEMENT .....	9
	6.3 OPTION PRICE .....	9
	6.4 DURATION OF OPTIONS .....	9
	6.5 EXERCISE OF OPTIONS .....	9
	6.6 PAYMENT .....	9

ARTICLE	SECTION	PAGE
6.7	RESTRICTIONS ON SHARE TRANSFERABILITY .....	10
6.8	DIVIDEND EQUIVALENTS ON STOCK OPTIONS .....	10
6.9	TERMINATION OF EMPLOYMENT DUE TO DEATH, DISABILITY, OR RETIREMENT .....	10
6.10	TERMINATION OF EMPLOYMENT FOR OTHER REASONS .....	12
6.11	TRANSFERABILITY OF OPTIONS .....	12
7.	STOCK APPRECIATION RIGHTS .....	12
7.1	GRANT OF SARS .....	12
7.2	EXERCISE OF SARS IN LIEU OF OPTIONS .....	13
7.3	EXERCISE OF SARS IN ADDITION TO OPTIONS .....	13
7.4	EXERCISE OF SARS INDEPENDENT OF OPTIONS .....	13
7.5	SAR AGREEMENT .....	13
7.6	TERM OF SARS .....	13
7.7	PAYMENT OF SAR AMOUNT .....	13
7.8	SECTION 16 REQUIREMENTS .....	14
7.9	TERMINATION OF EMPLOYMENT DUE TO DEATH, DISABILITY, OR RETIREMENT .....	14
7.10	TERMINATION OF EMPLOYMENT FOR OTHER REASONS .....	15
7.11	TRANSFERABILITY OF SARS .....	15
8.	RESTRICTED STOCK .....	15
8.1	GRANT OF RESTRICTED STOCK .....	15
8.2	RESTRICTED STOCK AGREEMENT .....	16
8.3	TRANSFERABILITY .....	16
8.4	OTHER RESTRICTIONS .....	16
8.5	CERTIFICATE LEGEND .....	16
8.6	REMOVAL OF RESTRICTIONS .....	16
8.7	VOTING RIGHTS .....	16
8.8	DIVIDENDS AND OTHER DISTRIBUTIONS .....	17
8.9	TERMINATION OF EMPLOYMENT DUE TO DEATH, DISABILITY, OR RETIREMENT .....	17
8.10	TERMINATION OF EMPLOYMENT FOR OTHER REASONS .....	17
9.	PERFORMANCE UNITS AND PERFORMANCE SHARES .....	17
9.1	GRANT OF PERFORMANCE UNITS/SHARES .....	17
9.2	VALUE OF PERFORMANCE UNITS/SHARES .....	17
9.3	EARNING OF PERFORMANCE UNITS/SHARES .....	18
9.4	FORM AND TIMING OF PAYMENT OF PERFORMANCE UNITS/SHARES .....	18
9.5	TERMINATION OF EMPLOYMENT DUE TO DEATH, DISABILITY, OR	

ARTICLE	SECTION	PAGE
	RETIREMENT .....	18
9.6	TERMINATION OF EMPLOYMENT FOR OTHER REASONS .....	18
9.7	TRANSFERABILITY .....	19
10.	OTHER STOCK-BASED AWARDS .....	19
10.1	OTHER STOCK-BASED AWARDS .....	19
10.2	TRANSFERABILITY .....	19
11.	BENEFICIARY DESIGNATION .....	19
12.	RIGHTS OF EMPLOYEES .....	19
12.1	EMPLOYMENT .....	19
12.2	PARTICIPATION .....	19
13.	CHANGE IN CONTROL .....	20
14.	AMENDMENT, MODIFICATION, AND TERMINATION .....	20
14.1	AMENDMENT, MODIFICATION, AND TERMINATION .....	20
14.2	AWARDS PREVIOUSLY GRANTED .....	21
15.	WITHHOLDING .....	21
15.1	TAX WITHHOLDING .....	21
15.2	SHARE WITHHOLDING .....	21
16.	INDEMNIFICATION .....	21
17.	SUCCESSORS .....	22
18.	REQUIREMENTS OF LAW .....	22
18.1	REQUIREMENTS OF LAW .....	22
18.2	GOVERNING LAW .....	22

PORTLAND GENERAL CORPORATION  
AMENDED AND RESTATED  
1990 LONG-TERM INCENTIVE MASTER PLAN  
1996 RESTATEMENT

ARTICLE 1. ESTABLISHMENT, PURPOSE, AND DURATION

1.1 ESTABLISHMENT OF THE PLAN. Portland General Corporation ("Portland General") established the Portland General Corporation 1990 Long-Term Incentive Master Plan (hereinafter referred to as the "Plan") to be effective October 1, 1990, subject to the approval of the Board of Directors and the shareholders of Portland General, which approval was given by the Board of Directors on October 1, 1990 and by the Shareholders at the Annual Meeting of Shareholders held April 30, 1991. The Plan shall remain in effect as provided in Section 1.3 herein. The Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Performance Shares, Performance Units, and other Stock-Based Awards.

1.2 PURPOSE OF THE PLAN. The purpose of the Plan is to promote the success, and enhance the value of the Company by linking the personal interests of Employees to those of Company shareholders, and by providing Employees with an incentive for outstanding performance.

The Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of Employees upon whose judgment, interest, and special effort the successful conduct of its operation largely is dependent.

1.3 DURATION OF THE PLAN. The Plan shall commence on October 1, 1990 (the "Effective Date") and shall remain in effect, subject to the right of the Board of Directors to terminate the Plan at any time pursuant to Article 14 herein, until all Shares subject to it shall have been purchased or acquired according to the Plan's provisions. However, in no event may an Award be granted under the Plan on or after the tenth (10th) anniversary of the Plan's Effective Date.

ARTICLE 2. DEFINITIONS AND CONSTRUCTION

2.1 DEFINITIONS. Whenever used in the Plan, the following terms shall have the meanings set forth below and, when the meaning is intended, the initial letter of the word is capitalized:

- (a) "Award" means, individually or collectively, a grant under this Plan of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Performance Shares, Performance Units, or other Stock-Based Awards.
- (b) "Beneficial Owner" shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.
- (c) "Board" or "Board of Directors" means the Board of Directors of Portland General Corporation or any successor thereto as provided in Article 17 herein.
- (d) "Cause" means (i) willful and gross misconduct on the part of a Participant that is materially and demonstrably detrimental to the Company; (ii) the commission by a Participant of one or more acts which constitute an indictable crime under United States Federal, state, or local law; or (iii) such other meaning as shall be specified by the Committee. Unless otherwise provided by the committee at the time of making an Award, "Cause" under either (i), (ii) or (iii) shall be determined in good faith by a written resolution duly adopted by the affirmative vote of not less than two-thirds (2/3rds) of all the Directors at a meeting duly called and held for that purpose after reasonable notice to the Participant and opportunity for the Participant and his or her legal counsel to be heard.
- (e) "Change in Control" of the Company shall be defined by the Committee at the time of making each and every Award hereunder.
- (f) "Code" means the Internal Revenue Code of 1986, as amended from time to time.
- (g) "Committee" means the committee, as specified in Article 3, appointed by the Board to administer the Plan with respect to grants of Awards.
- (h) "Company" means Portland General Corporation, an Oregon corporation (including any and all Subsidiaries), or any successor

thereto as provided in Article 17 herein.

- (i) "Demotion" shall mean the reduction of a Participant's salary grade, job classification, or title (the Participant's job classification or title shall govern in all cases where said job classification or title are not defined by means of a salary grade) with the Company to a level at which Awards under this Plan or any other plan providing long-term incentives to Employees have NOT been granted within the three (3) years preceding such demotion.
- (j) "Director" means any individual who is a member of the Board of Directors.
- (k) "Disability" means a permanent and total disability, within the meaning of Code Section 22(e)(3), as determined by the Committee in good faith, upon receipt of sufficient competent medical advice from one or more individuals, selected by the Committee, who are qualified to give professional medical advice.
- (l) "Dividend Equivalent" means an accrual for payment of cash or Shares equal in value to dividends paid on Shares subject to Options.
- (m) "Employee" means any employee of the Company. Directors who are also employed by the Company shall be considered Employees under this Plan.
- (n) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor Act thereto.
- (o) "Fair Market Value" means the closing price of Shares on the relevant date, as reported in the WALL STREET JOURNAL or a similar publication selected by the Committee.
- (p) "Grant Price" means the value of a SAR on the date of grant, as determined by the Committee.
- (q) "Incentive Stock Option" or "ISO" means an option to purchase Shares, granted under Article 6 herein, which is designated as an Incentive Stock Option and is intended to meet the requirements of Section 422 of the Code, or any successor Section thereto.

- (r) "Insider" shall mean an Employee of the Company who is, at the time an Award is made under this Plan, designated as subject to Section 16 of the Exchange Act and the Rules promulgated thereunder or a Director.
- (s) "Noninsider" shall mean an individual who is not an Insider.
- (t) "Noninsider Committee" means the committee, as specified in Section 3.4, that may be appointed by the Board to grant Options to Noninsiders.
- (u) "Nonqualified Stock Option" or "NQS0" means an option to purchase Shares, granted under Article 6 herein, which is not intended to be an Incentive Stock Option.
- (v) "Option" means an Incentive Stock Option or a Nonqualified Stock Option.
- (w) "Option Price" means the price at which a Share may be purchased by a Participant pursuant to an Option, as determined by the Committee.
- (x) "Outside Director" means a Director who meets the definition of "nonemployee director" under the Rules promulgated under Section 16 of the Exchange Act, as such definition may be amended from time to time.
- (y) "Participant" means an Employee of the Company who has outstanding an Award granted under the Plan.
- (z) "Performance Unit" or "Performance Share" means an Award granted to an Employee pursuant to Article 9 herein.
- (aa) "Period of Restriction" means the period during which the transfer of Shares of Restricted Stock is limited in some way (based on the passage of time, the achievement of performance goals, or upon the occurrence of other events as determined by the Committee, at its discretion), and the Shares are subject to a substantial risk of forfeiture, as provided in Article 8 herein.
- (ab) "Restricted Stock" means an Award granted to an Employee pursuant to Article 8 herein.

- (ac) "Stock Appreciation Right" or "SAR" means an Award, granted alone or in tandem with an Option, designated as a SAR, granted to an Employee pursuant to Article 7 herein.
- (ad) "Stock-Based Award" means an Award granted to an Employee pursuant to Article 10 herein.
- (ae) "Shares" means the \$3.75 par value Common Stock of Portland General Corporation.
- (af) "Subsidiary" means any corporation in which the Company owns directly, or indirectly through subsidiaries, at least 50% of the total combined voting power of all classes of stock, or any other entity (including, but not limited to, partnerships and joint ventures) in which the Company owns at least 50% of the combined equity thereof. In the event that applicable law permits the ownership of less than 50% of the total combined voting power of all classes of stock of a corporation to cause such corporation to constitute a "Subsidiary," then the requirement of 50% ownership in this definition shall be lowered to the lowest level permitted under applicable law.

2.2 GENDER AND NUMBER. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

2.3 SEVERABILITY. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

#### ARTICLE 3. ADMINISTRATION

3.1 THE COMMITTEE. The Plan shall be administered by a committee consisting solely of two or more Outside Directors, who shall be appointed from time to time by, and shall serve at the discretion of, the Board of Directors. Provided, however, that if for any reason the Committee does not qualify to administer the Plan, as contemplated by the Article 16 of the Exchange Act and the Rules promulgated thereunder, the Board of Directors may appoint a new Committee so as to comply therewith.

3.2 AUTHORITY OF THE COMMITTEE. The Committee shall have full power except as limited by law or by the Articles of Incorporation or Bylaws of Portland General or any

successor thereto as provided in Article 17 herein, subject to the provisions herein, to determine the size and types of Awards; to determine the terms and conditions of such Awards in a manner consistent with the Plan; to construe and interpret the Plan and any agreement or instrument entered into under the Plan; to establish, amend, or waive rules and regulations for the Plan's administration; and (subject to the provisions of Article 14 herein) to amend the terms and conditions of any outstanding Award to the extent such terms and conditions are within the discretion of the Committee as provided in the Plan. Further, the Committee shall make all other determinations which may be necessary or advisable for the administration of the Plan. As permitted by law, the Committee may delegate its authorities as identified hereunder.

3.3 DECISIONS BINDING. All determinations and decisions made by the Committee pursuant to the provisions of the Plan and all related orders or resolutions of the Board of Directors shall be final, conclusive, and binding on all persons, including the Company, its stockholders, Employees, Participants, and their estates and beneficiaries.

3.4 GRANTS OF OPTIONS BY CHIEF EXECUTIVE OFFICER OR INSIDER COMMITTEE. The Board of Directors may grant to the Chief Executive Officer (the "CEO") of Portland General or any successor thereto as provided in Article 17 herein, or a Committee appointed by it consisting of at least two Directors one of whom shall be the CEO if the CEO is a Director ("Noninsider Committee") the authority to grant Options to Noninsiders. Options granted pursuant to this Section 3.4 shall be subject to the provisions of this Section 3.4, the limits specifically prescribed by the Board of Directors and the requirements of Oregon law. Prior to the grant of such Options, the CEO or the Noninsider Committee, as the case may be, shall obtain the opinion of legal counsel for the Company that each person chosen to receive an Option under this Section is properly classified as a Noninsider.

The Options granted by the CEO to Noninsiders pursuant to this Section between October 1, 1990 and October 2, 1991 may be granted upon such terms and provisions as deemed appropriate by the CEO; provided, however, that the aggregate number of Shares available for grant is one hundred thousand (100,000), that any such Option granted not exceed 5,000 shares per employee per year, that the exercise price for any such Options granted shall equal the fair market value of Shares on the date of grant, and that all Options granted must be exercised within ten (10) years after the date of the grant.

At any time after October 2, 1991, the Board of Directors may authorize the CEO or the Noninsider Committee to grant Options for an additional number of Shares and upon such terms and provisions as the Board shall determine subject to the terms of this Section 3.4. The initial one hundred thousand (100,000) Shares authorized pursuant to the immediately preceding paragraph and any such additional Shares granted under Options pursuant to this Section shall be counted toward the maximum number of Shares subject to this Plan, as set forth in Section 4.1.

In addition to the authority granted to the CEO or the Noninsider Committee to grant Options to Noninsiders pursuant to this Section 3.4, the CEO may, at any time, recommend to the Committee Insiders to receive grants of Options, and may recommend the number of Shares and the terms and provisions applicable to such Options; provided, however, that notwithstanding such recommendation, the grant of any Option to Insiders and the terms and conditions applicable thereto shall be at the sole discretion of the Committee. In the event that the Committee shall choose to grant an Option to an Insider upon the recommendation of the CEO, the Committee may choose to apply the number of Shares subject to such Option against the number of Shares available for grant by the CEO or the Noninsider Committee pursuant to this Section 3.4, such that the number of Shares available to the CEO or the Noninsider Committee is reduced by the number of Shares covered by such Option.

#### ARTICLE 4. SHARES SUBJECT TO THE PLAN

4.1 NUMBER OF SHARES. Subject to adjustment as provided in Section 4.3 herein, the total number of Shares available for grant under the Plan may not exceed 2,300,000; of which no more than 1,150,000 may be issued as Restricted Stock. These 2,300,000 Shares may be either authorized but unissued or reacquired Shares.

The following rules will apply for purposes of the determination of the number of Shares available for grant under the Plan:

- (a) The grant of an Option or Restricted Stock Award shall reduce the Shares available for grant under the Plan by the number of Shares subject to such Award.
- (b) The grant of a Stock Appreciation Right related to an Option ("Tandem SAR") shall reduce the number of Shares available for grant by the number of Shares subject to the related Option if the Tandem SAR is granted "in lieu of" the Option. If the number of "in lieu of" SARs granted in Tandem with Options exceeds the number of Shares subject to the related Option, then the number of Shares available for grant shall additionally be reduced by the amount of such excess; provided, however, that to the extent such grants are paid in cash, such Shares shall again be available for the grant of Awards under the Plan in accordance with Section 16 of the Exchange Act and the Rules promulgated thereunder.
- (c) The grant of a Tandem SAR "in addition to" the related Option shall reduce the number of Shares available for grant by the number of Shares subject to the SAR, in addition to the number of Shares subject

to the related Option.

- (d) The grant of Stock Appreciation Rights not related to an Option ("Freestanding SAR") shall reduce the number of Shares available for grant by the number of Freestanding SARs granted.
- (e) The grant of Performance Units and/or Performance Shares shall reduce the number of Shares available for grant while outstanding; provided, however, that to the extent such grants are paid in cash, such Shares shall again be available for the grant of Awards under the Plan in accordance with Section 16 of the Exchange Act and the Rules promulgated thereunder.
- (f) The grant of other Stock-Based Awards shall reduce the number of Shares available for grant hereunder to the extent Shares are utilized, as determined by the Committee in accordance with the provisions of Section 16 of the Exchange Act and the Rules promulgated thereunder.

4.2 LAPSED AWARDS. If any Award granted under this Plan terminates, expires, or lapses for any reason (with the exception of the termination of a Tandem SAR granted "in lieu of" the related Option or a related Option upon exercise of the corresponding "in lieu of" SAR), any Shares subject to such Award again shall be available for the grant of an Award under the Plan to the extent allowed pursuant to Section 16 of the Exchange Act and the Rules promulgated thereunder.

4.3 ADJUSTMENTS IN AUTHORIZED SHARES. In the event of any merger, reorganization, consolidation, recapitalization, separation, liquidation, stock dividend, split-up, Share combination, or other change in the corporate structure of the Company affecting the Shares, such adjustment shall be made in the number and class of Shares which may be delivered under the Plan, and in the number and class of and/or price of Awards granted under the Plan, as may be determined to be appropriate and equitable by the Committee, in its sole discretion, to prevent dilution or enlargement of rights; and provided that the number of Shares subject to any Award shall always be a whole number.

#### ARTICLE 5. ELIGIBILITY AND PARTICIPATION

5.1 ELIGIBILITY. Persons eligible to participate in this Plan include all Employees of the Company, including Employees who are members of the Board, but excluding Directors who are not Employees.

5.2 ACTUAL PARTICIPATION. Subject to the provisions of the Plan, the Committee may, from time to time, select from all eligible Employees, those to whom Awards shall be

granted and shall determine the nature and amount of each Award. No Employee shall have any right to be granted an Award under this Plan.

#### ARTICLE 6. STOCK OPTIONS

6.1 GRANT OF OPTIONS. Subject to the terms and provisions of the Plan, Options may be granted to Employees at any time and from time to time as shall be determined by the Committee. The Committee shall have discretion in determining the number of Shares subject to Options granted to each Employee. The Committee may grant ISOs, NQSOs, or a combination thereof. Nothing in this Article 6 shall be deemed to prevent the grant of NQSOs in excess of the maximum established by Section 422 of the Code, or any successor Section thereto.

6.2 OPTION AGREEMENT. Each Option grant shall be evidenced by an Option Agreement that shall specify the Option Price, the duration of the Option, the number of Shares to which the Option pertains, and such other provisions as the Committee shall determine. The Option Agreement also shall specify whether the Option is intended to be an ISO within the meaning of Section 422 of the Code, or any successor Section thereto, or a NQSO whose grant is intended not to fall under the Code provisions of Section 422, or any successor Section thereto.

6.3 OPTION PRICE. The Option Price for each grant of an Option to an Employee shall be determined by the Committee; provided that, in the case of an ISO, the Option Price shall not be less than 100% of the Fair Market Value of such Share on the date the Option is granted; and, provided further, that in the case of a NQSO, the Option Price shall not be less than the minimum price permissible under Oregon law.

6.4 DURATION OF OPTIONS. Each Option granted to an Employee shall expire at such time as the Committee shall determine at the time of grant; provided, however, that no ISO shall be exercisable later than the tenth (10th) anniversary date of its grant.

6.5 EXERCISE OF OPTIONS. Options granted to Employees under the Plan shall be exercisable at such times and be subject to such restrictions and conditions as the Committee shall in each instance approve, which need not be the same for each grant or for each Employee. However, in no event may any Option granted under this Plan to an Insider become exercisable prior to six (6) months following the date of its grant.

6.6 PAYMENT. Options shall be exercised in accordance with established procedures.

The Option Price upon exercise of any Option shall be payable to the Company in full either (a) in cash or its equivalent, or (b) by tendering previously acquired Shares having a

Fair Market Value at the time of exercise equal to the total Option Price; provided that any such Shares tendered by an Insider shall have been held by such Insider for at least six months prior to such tender, or (c) by a combination of (a) and (b). The Committee also allows cashless exercise as permitted under Federal Reserve Board's Regulation T, subject to applicable securities law restrictions, or by any other means which the Committee determines to be consistent with the Plan's purpose and applicable law. The proceeds from such a payment shall be added to the general funds of the Company and shall be used for general corporate purposes.

The Committee also shall have the authority to extend loans to Participants in order to aid Participants in the exercise of their Options, upon such terms and requiring such security as the Committee, in its sole discretion, shall deem appropriate.

As soon as practicable after receipt of a written notification of exercise and full payment, the Company shall deliver to the Participant, in the Participant's name, Share certificates in an appropriate amount based upon the number of Shares purchased under the Option(s).

6.7 RESTRICTIONS ON SHARE TRANSFERABILITY. The Committee shall impose such restrictions, including restrictions on transferability, on Options granted, and on any Shares acquired pursuant to the exercise of an Option, under the Plan, as it may deem advisable, including, without limitation, restrictions under applicable Federal securities laws, under the requirements of any stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

6.8 DIVIDEND EQUIVALENTS ON STOCK OPTIONS. Employees owning Options may be granted, at no additional cost, Dividend Equivalents based on the dividends declared on Shares on record dates during the period between the grant date of an Option and the date the Option is exercised, or an equivalent period, as determined by the Committee. Such Dividend Equivalents may be converted to additional Shares subject to the Option ("Dividend Equivalent Shares"), or cash, or both, by such formula as may be determined by the Committee, provided, however, that such formula shall conform to any holding period, notice provision or other requirement under Section 16 of the Exchange Act and the Rules promulgated thereunder.

Dividend equivalents shall be computed as of each record date, with respect to: (i) the number of Shares subject to the Option; and (ii) the number of Dividend Equivalent Shares previously earned by the Employee which were not issued during the period immediately prior to the dividend record date.

6.9 TERMINATION OF EMPLOYMENT DUE TO DEATH, DISABILITY, OR RETIREMENT.

- (a) TERMINATION BY DEATH. In the event the employment of an Employee is terminated by reason of death, any outstanding Options granted to that Employee shall immediately vest 100% and shall remain exercisable at any time prior to their expiration date, or for one (1) year after the date that employment was terminated, whichever period is shorter, by such person or persons as shall have been named as the Employee's beneficiary, or by such persons that have acquired the Employee's rights under the Option by will or by the laws of descent and distribution. However, the Committee, in its sole discretion, may, at any time prior, including at the time an Award is made or after such termination, provide for the vesting and exercise of all or a portion of such Options.
- (b) TERMINATION BY DISABILITY. In the event the employment of an Employee is terminated by reason of Disability, any outstanding Options granted to that Employee shall immediately vest 100%, and shall remain exercisable at any time prior to their expiration date, or for one (1) year after the date that the Employee's Disability is determined by the Committee to be total and permanent, whichever period is shorter. However, the Committee, in its sole discretion, may, at any time prior, including at the time an Award is made or after such termination, provide for the vesting and exercise of all or a portion of such Options.
- (c) TERMINATION BY RETIREMENT. In the event the employment of an Employee is terminated by reason of "normal retirement" (as defined under the then established rules of the Company's tax-qualified pension retirement plan), any outstanding Options granted to that Employee shall immediately vest 100%, and shall remain exercisable at any time prior to their expiration date, or for three (3) years after the date that employment was terminated, whichever period is shorter. However, the Committee, in its sole discretion, may, at any time prior, including at the time an Award is made or after such termination, provide for the vesting and exercise of all or a portion of such Options.

In the event the employment of an Employee is terminated by reason of Company's tax-qualified pension retirement plan), any outstanding Options granted to that Employee that are not then vested shall be forfeited. However, the Committee, in its sole discretion, may, at any time prior, including at the time an Award is made or after such termination, provide for the vesting and exercise of all or a portion of

such Options.

- (d) EXERCISE LIMITATIONS ON ISOS. In the case of ISOs, the tax treatment prescribed under Section 422 of the Internal Revenue Code of 1986, as amended, or any successor Section thereto, may not be available if the Options are not exercised within the time periods after each of the various types of employment termination prescribed by said Section.

6.10 TERMINATION OF EMPLOYMENT FOR OTHER REASONS. If the employment of an Employee shall terminate for any reason (other than the reasons set forth in Section 6.9 or for Cause), all nonvested Options held by the Employee immediately shall be forfeited to the Company. However, the Committee, in its sole discretion, may at any time prior, including at the time an Award is made or after such termination, provide for the vesting and exercise of all or any portion of such Options, upon such terms and conditions as it deems proper.

If the employment of the Employee shall terminate for Cause, all outstanding Options immediately shall be forfeited to the Company and no additional exercise period shall be allowed, regardless of the vested status of the Options.

Any Options forfeited under this Section shall again be available for grant under the Plan in accordance with Section 16 of the Exchange Act and the Rules promulgated thereunder.

6.11 TRANSFERABILITY OF OPTIONS. The Committee may establish the terms by which any Option granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated.

#### ARTICLE 7. STOCK APPRECIATION RIGHTS

7.1 GRANT OF SARS. Subject to the terms and conditions of the Plan, an SAR may be granted to an Employee at any time and from time to time as shall be determined by the Committee. An SAR may be granted in any of the following forms:

- (a) "In lieu of" Options (as described in Section 4.1(b) herein);
- (b) "In addition to" Options (as described in Section 4.1(c) herein);
- (c) Independent of Options (a "Freestanding SAR"); or
- (d) In any combination of (a), (b), or (c) above.

The Committee shall have complete discretion in determining the number of SARs

granted to each Participant (subject to Section 4.1 herein) and, consistent with the provisions of the Plan, in determining the terms and conditions pertaining to such SARs. However, the Grant Price of a Freestanding SAR shall be at least equal to the Fair Market Value of Shares on the date of grant of the SAR. The Grant Price of "in lieu of" or "in addition to" SARs (as described in Section 4.1 herein) shall equal the Option Price of the related Option. Further, in no event shall any SAR granted hereunder become exercisable within the first six (6) months of its grant.

7.2 EXERCISE OF SARs IN LIEU OF OPTIONS. SARs granted "in lieu of" Options (as described in Section 4.1 herein) may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise an equivalent number of Options. The SAR may be exercised only with respect to the Shares for which its related Option is then exercisable. Option Stock with respect to which the SAR shall have been exercised may not be subject again to an Award under this Plan.

Notwithstanding any other provision of this Plan to the contrary, with respect to an SAR granted "in lieu of" an "Incentive Stock Option" within the meaning of Section 422 of the Code, or any successor Section thereto: (i) the SAR will expire no later than the expiration of the underlying Incentive Stock Option; (ii) the SAR amount may be for no more than one hundred percent (100%) of the difference between the Option Price of the underlying Incentive Stock Option and the market price of the Shares subject to the underlying Incentive Stock Option at the time the SAR is exercised; and (iii) the SAR may be exercised only when the market price of the Shares subject to the Incentive Stock Option exceeds the Option Price of the Incentive Stock Option.

7.3 EXERCISE OF SARs IN ADDITION TO OPTIONS. SARs granted "in addition to" Options (as described in Section 4.1 herein) shall be deemed to be exercised upon the exercise of the related Options. The deemed exercise of SARs granted "in addition to" Options shall not necessitate a reduction in the number of related Options.

7.4 EXERCISE OF SARs INDEPENDENT OF OPTIONS. SARs granted independently of Options may be exercised upon whatever terms and conditions the Committee, in its sole discretion, imposes upon the SARs.

7.5 SAR AGREEMENT. Each SAR grant shall be evidenced by an SAR Agreement that shall specify the Grant Price, the term of the SAR, and such other provisions as the Committee shall determine.

7.6 TERM OF SARs. The term of an SAR granted under the Plan shall be determined by the Committee, in its sole discretion, however, such term shall not exceed ten (10) years.

7.7 PAYMENT OF SAR AMOUNT. Upon exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

- (a) The difference between the Fair Market Value of a Share on the date of exercise over the Grant Price; by
- (b) The number of Shares with respect to which the SAR is exercised.

At the sole discretion of the Committee, the payment upon SAR exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

7.8 SECTION 16 REQUIREMENTS. Notwithstanding any other provision of the Plan, the Committee may impose such conditions on exercise of an SAR (including, without limitation, the right of the Committee to limit the time of exercise to specified periods or the ability to exercise in cash or Shares ) as may be required to satisfy the requirements of Section 16 of the Exchange Act and the Rules promulgated thereunder.

7.9 TERMINATION OF EMPLOYMENT DUE TO DEATH, DISABILITY, OR RETIREMENT.

- (a) TERMINATION BY DEATH. In the event the employment of a Participant is terminated by reason of death, any outstanding SARs granted to that Participant shall immediately vest 100%, and shall remain exercisable at any time prior to their expiration date, or for one (1) year after the date that employment is terminated, whichever period is shorter, by such person or persons as shall have been named as the Participant's beneficiary, or by such persons that have acquired the Participant's rights under the SARs by will or by the laws of descent and distribution. However, the Committee, in its sole discretion, may, at any time prior, including at the time an Award is made or after such termination, provide for the vesting and exercise of all or a portion of such Options.
- (b) TERMINATION BY DISABILITY. In the event the employment of a Participant is terminated by reason of Disability, any outstanding SARs granted to that Participant shall immediately vest 100%, and shall remain exercisable at any time prior to their expiration date, or for one (1) year after the date the Participant's Disability is determined by the Committee to be total and permanent, whichever period is shorter. However, the Committee, in its sole discretion, may, at any time prior

including at the time an Award is made or after such termination, provide for the vesting and exercise of all or a portion of such Options.

- (c) TERMINATION BY RETIREMENT. In the event the employment of a Participant is terminated by reason of "normal retirement" (as defined under the then established rules of the Company's tax qualified pension retirement plan), all outstanding SARs granted to that Participant shall immediately vest 100%, and shall remain exercisable at any time prior to their expiration date, or for one (1) year after the date that employment was terminated, whichever period is shorter. However, the Committee, in its sole discretion, may, at any time prior, including at the time an Award is made or after such termination, provide for the vesting and exercise of all or a portion of such Options.

In the event the employment of a Participant is terminated by reason of "early retirement" (as defined under the then established rules of the Company's tax qualified pension retirement plan), any outstanding SARs granted to that Participant that are not then vested shall be forfeited. However, the Committee, in its sole discretion, may, at any time prior, including at the time an Award is made or after such termination, provide for the vesting and exercise of all or a portion of such Options.

7.10 TERMINATION OF EMPLOYMENT FOR OTHER REASONS. If the employment of a Participant shall terminate for any reason other than the reasons described in Section 7.9, or for Cause, all nonvested SARs held by the Participant at that time immediately shall be forfeited to the Company. However, the Committee, in its sole discretion, may at any time prior, including at the time an Award is made or after such termination, provide for the vesting and exercise of all or any portion of such SARs, upon such terms and conditions as it deems proper.

If the employment of the Participant shall terminate for Cause, all outstanding SARs immediately shall be forfeited to the Company and no additional exercise period shall be allowed, regardless of the vested status of the SARs.

Any SAR forfeited to the Company shall again be available for grant under the Plan pursuant to Section 16 of the Exchange Act and the Rules promulgated thereunder.

7.11 TRANSFERABILITY OF SARs. The Committee may establish the terms by which an SAR granted under the Plan may be sold, transferred, pledged, assigned, or otherwise

alienated or hypothecated.

#### ARTICLE 8. RESTRICTED STOCK

8.1 GRANT OF RESTRICTED STOCK. Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Shares of Restricted Stock to Employees in such amounts as the Committee shall determine.

8.2 RESTRICTED STOCK AGREEMENT. Each Restricted Stock grant shall be evidenced by a Restricted Stock Agreement that shall specify the Period of Restriction, or Periods, the number of Restricted Stock Shares granted, and such other provisions as the Committee shall determine.

8.3 TRANSFERABILITY. Except as provided in this Section 8.3, the Shares of Restricted Stock granted herein may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction established by the Committee and specified in the Restricted Stock Agreement, or upon earlier satisfaction of any other conditions, as specified by the Committee in its sole discretion and set forth in the Restricted Stock Agreement. However, in no event may any Restricted Stock granted under the Plan become vested in a Participant prior to six (6) months following the date of its grant. Prior to vesting, all rights with respect to the Restricted Stock granted to a Participant under the Plan shall be available during his or her lifetime only by such Participant.

8.4 OTHER RESTRICTIONS. The Committee shall impose such other restrictions on any Shares of Restricted Stock granted pursuant to the Plan as it may deem advisable including, without limitation, restrictions based upon the achievement of specific performance goals (Company-wide, divisional, and/or individual), and/or restrictions under applicable Federal or state securities laws; and may legend the certificates representing Restricted Stock to give appropriate notice of such restrictions.

8.5 CERTIFICATE LEGEND. In addition to any legends placed on certificates pursuant to Section 8.4 herein, each certificate representing Shares of Restricted Stock granted pursuant to the Plan shall bear the following legend:

"The sale or other transfer of the Shares of Stock represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer as set forth in the Portland General Corporation 1990 Long-Term Incentive Master Plan, and in a Restricted Stock Agreement dated \_\_\_\_\_. A copy of the Plan and such Restricted Stock Agreement may be obtained from the Secretary of Portland General Corporation."

8.6 REMOVAL OF RESTRICTIONS. Except as otherwise provided in this Section, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan shall become freely transferable by the Participant after the last day of the Period of Restriction. Once the Shares are released from the restrictions, the Participant shall be entitled to have the legend required by Section 8.5 removed from his or her Share certificate.

8.7 VOTING RIGHTS. During the Period of Restriction, Participants holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares.

8.8 DIVIDENDS AND OTHER DISTRIBUTIONS. During the Period of Restriction, Participants holding Shares of Restricted Stock granted hereunder shall be entitled to receive all dividends and other distributions paid with respect to those Shares while they are so held. If any such dividends or distributions are paid in Shares, the Shares shall be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid, and shall reduce the number of Shares available for grant under the Plan.

8.9 TERMINATION OF EMPLOYMENT DUE TO DEATH, DISABILITY OR RETIREMENT.

(a) TERMINATION BY DEATH. Upon the death of a Participant, all restrictions on the Participant's Restricted Stock shall lapse, provided, however, such restrictions shall not lapse until the expiration of the six (6) month vesting period provided in Section 8.3.

(b) TERMINATION BY DISABILITY. In the event that a Participant's employment with the Company is terminated by reason of Disability, the restrictions on the Participant's Restricted Stock shall lapse on the date the Participant's disability is determined by the Committee to be total and permanent, provided, however, such restrictions shall not lapse until the expiration of the six (6) month vesting period in Section 8.3.

(c) TERMINATION BY RETIREMENT. In the event that a Participant's employment with the Company is terminated by reasons of "normal retirement" (as defined under the then established rules of the Company's tax qualified pension retirement plan), the restrictions shall lapse on the number of shares of Restricted Stock in each restricted stock grant which bears the same ratio to the total number of shares of Restricted Stock in such grant still subject to restrictions, as the period of employment during the Period of Restriction for such grant bears to the full Period of Restriction for such grant, rounded up to a full share, unless otherwise determined by the Committee to vest the previously granted Restricted Stock in some greater

amount, provided, however, such restrictions shall not lapse until the expiration of the six (6) month vesting period provided in Section 8.3.

8.10 TERMINATION OF EMPLOYMENT FOR OTHER REASONS. If the employment of the Participant shall terminate for any reason other than those reasons described in Section 8.9, including a termination for Cause, all nonvested Shares of Restricted Stock held by the Participant at that time immediately shall be forfeited and returned to the Company. However, with the exception of a termination of employment for Cause, the Committee, in its sole discretion, may, at any time prior, including at the time an Award is made or after such termination, provide for lapsing of the restrictions on Restricted Stock following employment termination upon such terms and provisions as it deems proper; provided that, no such lapsing of restrictions shall occur after the expiration date of the Restricted Stock.

Shares of Restricted Stock forfeited and returned to the Company may again be available for grant under the Plan, consistent with Section 16 of the Exchange Act and the Rules promulgated thereunder.

#### ARTICLE 9. PERFORMANCE UNITS AND PERFORMANCE SHARES

9.1 GRANT OF PERFORMANCE UNITS/SHARES. Subject to the terms of the Plan, Performance Units or Performance Shares may be granted to Employees at any time and from time to time, as shall be determined by the Committee. The Committee shall have complete discretion in determining the number of Performance Units or Performance Shares granted to each Employee.

9.2 VALUE OF PERFORMANCE UNITS/SHARES. Each Performance Unit shall have an initial value that is established by the Committee at the time of grant. Each Performance Share shall have an initial value that is in direct relation to the Fair Market Value of a Share at the time of grant. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the number and/or value of Performance Units or Performance Shares that will be paid out to the Participants. The time period during which the performance goals must be met shall be called a "Performance Period." The Performance Period pertaining to each Performance Unit or Performance Share Award shall be between two (2) and six (6) years in length, and shall be established by the Committee at the time of grant.

9.3 EARNING OF PERFORMANCE UNITS/SHARES. After the applicable Performance Period has ended, the holder of Performance Units or Performance Shares shall be entitled to receive payout on the number of Performance Units or Performance Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance goals have been achieved.

9.4 FORM AND TIMING OF PAYMENT OF PERFORMANCE UNITS/SHARES. Payment of earned Performance Units/Performance Shares shall be made in a single lump sum, within forty-five (45) calendar days, or such longer period as may be required under Section 16 of the Exchange Act and the Rules promulgated thereunder, following the close of the applicable Performance Period. The Committee, in its sole discretion, may pay earned Performance Units or Performance Shares in the form of cash or in Shares (or in a combination thereof) which have an aggregate Fair Market Value equal to the value of the earned Performance Units or Performance Shares at the close of the applicable Performance Period; provided, however, that the Committee may place transfer restrictions on such Shares to meet the requirements of Section 16 of the Exchange Act and the Rules promulgated thereunder.

9.5 TERMINATION OF EMPLOYMENT DUE TO DEATH, DISABILITY, OR RETIREMENT. In the event the employment of a Participant is terminated by reason of death, Disability, or "normal retirement" (as defined under the then established rules of the Company's tax qualified pension retirement plan) during the applicable Performance Period, the Participant shall receive a prorated payout on the Performance Units or Performance Shares based on the Participant's full number of months of service during the Performance Period as compared to the entire length of the Performance Period, further adjusted based on the achievement of the preestablished performance goals. Payment of earned Performance Units or Performance Shares shall be made at the same time payments are made to Participants who did not terminate service during the applicable Performance Period, or such other time as is required to comply with Section 16 of the Exchange Act and the Rules promulgated thereunder.

9.6 TERMINATION OF EMPLOYMENT FOR OTHER REASONS. In the event that a Participant terminates employment with the Company for any reason other than those reasons set forth in Section 9.5, all Performance Units or Performance Shares shall be forfeited by the Participant to the Company; provided, however, that in the event of early retirement or an involuntary termination of the employment of the Participant by the Company other than for Cause, the Committee, in its sole discretion, may waive the automatic forfeiture provisions and pay out on a pro rata basis, as provided in Section 9.5.

9.7 TRANSFERABILITY. The Committee may establish the terms by which any Performance Units may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated.

#### ARTICLE 10. OTHER STOCK-BASED AWARDS

10.1 OTHER STOCK-BASED AWARDS. The Committee shall have the right to grant other Stock-Based Awards which may include, without limitation, the grant of Shares based on certain conditions, the payment of cash based on the performance of the Common Stock, and the payment of Shares in lieu of cash under other Company incentive bonus programs.

Payment under or settlement of any such Awards shall be made in such manner and at such times as the Committee may determine.

10.2 TRANSFERABILITY. The Committee may establish the terms by which any Stock-Based Awards granted under this Section of the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated.

#### ARTICLE 11. BENEFICIARY DESIGNATION

Each Participant under the Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in case of his or her death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Human Resource Department of the Company, or such other department as the Company may specify in writing to the Participant, during the Participant's lifetime. In the absence of any such designation, benefits remaining unpaid at the Participant's death shall be paid to the Participant's estate.

#### ARTICLE 12. RIGHTS OF EMPLOYEES

12.1 EMPLOYMENT. Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Participant's employment at any time, nor confer upon any Participant any right to continue in the employ of the Company.

For purposes of the Plan, transfer of employment of a Participant between the Company and any one of its Subsidiaries (or between Subsidiaries) shall not be deemed a termination of employment.

12.2 PARTICIPATION. No Employee shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

#### ARTICLE 13. CHANGE IN CONTROL

In order to maintain all of the Employees' rights in the event of a Change in Control of the Company, the Committee, as constituted prior to such Change in Control, in its sole discretion, may, as to any outstanding Award to an Employee, either at the time the Award to the Employee is made or at any time thereafter, take any one or more of the following actions:

- (i) Provide for the acceleration of any time periods relating to the exercise or realization of any such Award so that such Award may be exercised or

realized in full on or before a date fixed by the Committee;

- (ii) Provide for the purchase of any such Award by the Company for an amount of cash equal to the amount which could have been attained upon the exercise of such Award or in realization of such Employee's rights had such Award been currently exercisable or payable;
- (iii) Make such adjustment to any such Award then outstanding as the Committee deems appropriate to reflect such Change in Control providing, however, that such change does not detriment the value of any Award to the Employee;
- (iv) Cause any such Award then outstanding to be assumed, or new rights substituted therefore, by the acquiring or surviving corporation in such Change in Control.

The Committee may, at its discretion, include such further provisions and limitations in any Employee's Award Agreement, documenting such Awards, as the Committee may deem equitable and in the best interests of the Company.

ARTICLE 14. AMENDMENT, MODIFICATION, AND TERMINATION

14.1 AMENDMENT, MODIFICATION, AND TERMINATION. With the approval of the Board, at any time and from time to time, the Committee may terminate, amend, or modify the Plan. However, without the approval of the stockholders of the Company (as may be required by the Code, by Section 16 of the Exchange Act and the Rules promulgated thereunder, by any national securities exchange or system on which the Shares are then listed or reported, or by a regulatory body having jurisdiction with respect hereto) no such termination, amendment, or modification may:

- (a) Increase the total amount of Shares which may be issued under this Plan, except as provided in Section 4.3 herein; or
- (b) Change the class of Employees eligible to participate in the Plan; or
- (c) Materially increase the cost of the Plan or materially increase the benefits to Participants; or
- (d) Extend the maximum period after the date of grant during which Options or SARs may be exercised; or
- (e) Change the provisions of the Plan regarding Option Price.

14.2 AWARDS PREVIOUSLY GRANTED. No termination, amendment, or modification of the Plan shall in any manner adversely affect any Award previously granted under the Plan, without the written consent of the Participant.

ARTICLE 15. WITHHOLDING

15.1 TAX WITHHOLDING. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy Federal, state, and local taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any grant, exercise, or payment made under or as a result of this Plan.

15.2 SHARE WITHHOLDING. With respect to withholding required upon the exercise of NQSOs, upon the lapse of restrictions on Restricted Stock, or upon any other taxable event hereunder, Participants may elect, subject to the approval of the Committee, to satisfy the withholding requirement, in whole or in part, by having the Company withhold Shares having a Fair Market Value, on the date the tax is to be determined, equal to the amount required to be withheld. All elections shall be irrevocable, and be made in writing, signed by

the Participant in advance of the day that the transaction becomes taxable.

Share withholding elections made by Insiders must comply with any additional restrictions required by Section 16 of the Exchange Act and the Rules promulgated thereunder.

#### ARTICLE 16. INDEMNIFICATION

Each person who is or shall have been a member of the Committee, or of the Board, shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such Persons may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

#### ARTICLE 17. SUCCESSORS

All obligations of the Company under the Plan, with respect to Awards granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

#### ARTICLE 18. REQUIREMENTS OF LAW

18.1 REQUIREMENTS OF LAW. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

18.2 GOVERNING LAW. To the extent not preempted by Federal law, the Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Oregon.



UT

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS FILED ON FORM 10-K FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1996 FOR PORTLAND GENERAL CORPORATION (PGC) AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000  
0000079636  
PORTLAND GENERAL CORPORATION

	12-MOS DEC-31-1996	DEC-31-1996 PER-BOOK
	1,782,159	
	454,001	
	258,949	
	1,088,140	
		0
	3,583,249	192,442
	584,272	
	194,740	
971,454		
	30,000	
		0
	926,292	
	0	
92,027		
89,937		
	0	
6,750		
	2,622	
1,464,167		
3,583,249		
1,111,816		
	109,988	
777,269		
887,257		
224,559		
	(14,692)	
209,867		
	77,538	
		132,329
2,793		
129,536		
	65,516	
	63,699	
	345,747	
		\$2.53
		\$2.53

Represents the 12 month-to-date figure ending December 31, 1996.

UT

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS FILED ON FORM 10-K FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1996 FOR PORTLAND GENERAL ELECTRIC COMPANY AND SUBSIDIARIES (PGE) AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000  
0000784977  
PORTLAND GENERAL ELECTRIC COMPANY

	12-MOS DEC-31-1996	DEC-31-1996 PER-BOOK
	1,782,159	
	262,005	
	267,545	
	1,086,503	
		0
	3,398,212	
		160,346
	475,055	
	292,124	
927,525		
	30,000	
		0
	926,292	
		0
	0	
92,027		
89,937		
	0	
6,750		
	2,622	
1,323,059		
3,398,212		
1,109,831		
	112,661	
772,424		
885,085		
224,746		
	6,685	
231,431		
	75,516	
		155,915
	2,793	
153,122		
	105,187	
	63,699	
	357,360	
		0
		0

Represents the 12 month-to-date figure ending December 31, 1996.

PORTLAND GENERAL ELECTRIC COMPANY

TO

MARINE MIDLAND BANK  
(FORMERLY THE MARINE MIDLAND TRUST  
COMPANY OF NEW YORK)

TRUSTEE.

Forty-sixth Supplemental Indenture

Dated August 1, 1996

First Mortgage Bonds,  
Medium Term Note Series V

Supplemental to Indenture of Mortgage and Deed of Trust,  
dated July 1, 1945 of Portland General Electric Company.

FORTY-SIXTH SUPPLEMENTAL INDENTURE, dated August 1, 1996, made by and between Portland General Electric Company, an Oregon corporation (hereinafter called the "Company"), party of the first part, and Marine Midland Bank (formerly The Marine Midland Trust Company of New York), a New York banking corporation and trust company (hereinafter called the "Trustee"), party of the second part.

WHEREAS, the Company has heretofore executed and delivered its Indenture of Mortgage and Deed of Trust (herein sometimes referred to as the "Original Indenture"), dated July 1, 1945, to the Trustee to secure an issue of First Mortgage Bonds of the Company; and

WHEREAS, Bonds in the aggregate principal amount of \$34,000,000 have heretofore been issued under and in accordance with the terms of the Original Indenture as Bonds of an initial series designated "First Mortgage Bonds, 3 1/8 % Series due 1975" (herein sometimes referred to as the "Bonds of the 1975 Series"); and

WHEREAS, the Company has heretofore executed and delivered to the Trustee several supplemental indentures which provided, among other things, for the creation or issuance of several new series of First Mortgage Bonds under the terms of the Original Indenture as follows:

SUPPLEMENTAL INDENTURE	DATED	SERIES	PRINCIPAL AMOUNT
First	11-1-47	3 1/2% Series due 1977	\$ 6,000,000(1)
Second	11-1-48	3 1/2% Series due 1977	4,000,000(1)
Third	5-1-52	3 1/2% Second Series due 1977	4,000,000(1)
Fourth	11-1-53	4 1/8% Series due 1983	8,000,000(2)
Fifth	11-1-54	3 3/8% Series due 1984	12,000,000(1)
Sixth	9-1-56	4 1/4% Series due 1986	16,000,000(1)
Seventh	6-1-57	4 7/8% Series due 1987	10,000,000(1)
Eighth	12-1-57	5 1/2% Series due 1987	15,000,000(3)
Ninth	6-1-60	5 1/4% Series due 1990	15,000,000(1)
Tenth	11-1-61	5 1/8% Series due 1991	12,000,000(1)
Eleventh	2-1-63	4 5/8% Series due 1993	15,000,000(1)
Twelfth	6-1-63	4 3/4% Series due 1993	18,000,000(1)
Thirteenth	4-1-64	4 3/4% Series due 1994	18,000,000(1)
Fourteenth	3-1-65	4.70% Series due 1995	14,000,000(1)
Fifteenth	6-1-66	5 7/8% Series due 1996	12,000,000(1)
Sixteenth	10-1-67	6.60% Series due October 1, 1997	24,000,000
Seventeenth	4-1-70	8 3/4% Series due April 1, 1977	20,000,000(1)
Eighteenth	11-1-70	9 7/8% Series due November 1, 2000	20,000,000(4)
Nineteenth	11-1-71	8% Series due November 1, 2001	20,000,000(4)
Twentieth	11-1-72	7 3/4% Series due November 1, 2002	20,000,000



SUPPLEMENTAL INDENTURE	DATED	SERIES	PRINCIPAL AMOUNT
Twenty-first	4-1-73	7.95% Series due April 1, 2003	\$ 35,000,000
Twenty-second	10-1-73	8 3/4% Series due October 1, 2003	17,000,000(4)
Twenty-third	12-1-74	10 1/2% Series due December 1, 1980	40,000,000(1)
Twenty-fourth	4-1-75	10% Series due April 1, 1982	40,000,000(1)
Twenty-fifth	6-1-75	9 7/8% Series due June 1, 1985	27,000,000(1)
Twenty-sixth	12-1-75	11 5/8% Series due December 1, 2005	50,000,000(4)
Twenty-seventh	4-1-76	9 1/2% Series due April 1, 2006	50,000,000(4)
Twenty-eighth	9-1-76	9 3/4% Series due September 1, 1996	62,500,000(4)
Twenty-ninth	6-1-77	8 3/4% Series due June 1, 2007	50,000,000(4)
Thirtieth	10-1-78	9.40% Series due January 1, 1999	25,000,000(4)
Thirty-first	11-1-78	9.80% Series due November 1, 1998	50,000,000(4)
Thirty-second	2-1-80	13 1/4% Series due February 1, 2000	55,000,000(4)
Thirty-third	8-1-80	13 7/8% Series due August 1, 2010	75,000,000(4)
Thirty-sixth	10-1-82	13 1/2% Series due October 1, 2012	75,000,000(4)
Thirty-seventh	11-15-84	11 5/8% Extendable Series A due November 15, 1999	75,000,000(4)
Thirty-eighth	6-1-85	10 3/4% Series due June 1, 1995	60,000,000(4)
Thirty-ninth	3-1-86	9 5/8% Series due March 1, 2016	100,000,000(4)
Fortieth	10-1-90	Medium Term Note Series	200,000,000
Forty-first	12-1-91	Medium Term Note Series I	150,000,000
Forty-second	4-1-93	7-3/4% Series due April 15, 2023	150,000,000
Forty-third	7-1-93	Medium Term Note Series II	75,000,000
Forty-fourth	8-24-94	Medium Term Note Series III	75,000,000
Forty-fifth	5-01-95	Medium Term Note Series IV	75,000,000

- (1) Paid in full at maturity.
- (2) This entire issue of Bonds was redeemed out of proceeds from the sale of First Mortgage Bonds, 3 3/8% Series due 1984.
- (3) This entire issue of Bonds was redeemed out of proceeds from the sale of First Mortgage Bonds, 4 5/8% Series due 1993.
- (4) Redeemed in full prior to maturity.

which bonds are sometimes referred to herein as the "Bonds of the 1977 Series", "Bonds of the 1977 Second Series", "Bonds of the 1983 Series", "Bonds of the 1984 Series", "Bonds of the 1986 Series", "Bonds of the 4 7/8% Series due 1987", "Bonds of the 5 1/2% Series due 1987", "Bonds of the 1990 Series", "Bonds of the 1991 Series", "Bonds of the 4 5/8% Series due 1993", "Bonds of the 4 3/4% Series due 1993", "Bonds of the 1994 Series", "Bonds of the 1995 Series", "Bonds of the 1996 Series", "Bonds of the 1997 Series", "Bonds of the 1977 Third Series", "Bonds of the 2000 Series", "Bonds of the 2001 Series", "Bonds of the 2002 Series", "Bonds of the 2003 Series", "Bonds of the 2003 Second Series", "Bonds of the 1980 Series", "Bonds of the 1982 Series", "Bonds of the 1985 Series", "Bonds of the 2005 Series", "Bonds of the 2006 Series", "Bonds of the 1996 Second Series", "Bonds of the 2007 Series", "Bonds of the 1999 Series", "Bonds of the 1998 Series", "Bonds of the 2000 Second Series", "Bonds of the 2010 Series", "Bonds of the 2012 Series", "Bonds of the Extendable Series A", "Bonds of the 1995 Second Series", "Bonds of the 2016 Series", "Bonds of the Medium Term Note Series", "Bonds of the Medium Term Note Series I", "Bonds of the 2023 Series", "Bonds of the Medium Term Note Series II", "Bonds of the Medium Term Note Series III", and "Bonds of the Medium Term Note Series IV" respectively; and

WHEREAS, the Original Indenture provides that the Company and the Trustee, subject to the conditions and restrictions in the Original Indenture contained, may enter into an indenture or indentures supplemental thereto, which shall thereafter form a part of said Original Indenture, among other things, to mortgage, pledge, convey, transfer or assign to the Trustee and to subject to the lien of the Original Indenture with the same force and effect as though included in the granting clauses thereof, additional properties acquired by the Company after the execution and delivery of the Original Indenture, and to provide for the creation of any series of Bonds (other than the Bonds of the 1975 Series), designating the series to be created and specifying the form and provisions of the Bonds of such series as therein provided or permitted, and to provide a sinking, amortization, replacement or other analogous fund for the benefit of all or any of the Bonds of any one or more series, of such character and of such amount, and upon such terms and conditions as shall be contained in such supplemental indenture; and

WHEREAS, the Company has heretofore executed and delivered to the Trustee the Fortieth Supplemental Indenture and the Forty-first Supplemental Indenture amending in certain respects the Original Indenture, as theretofore supplemented (such Original Indenture as so amended hereinafter referred to as the "Original Indenture"); and

WHEREAS, the Company desires to provide for the creation of a new series of bonds to be known as "First Mortgage Bonds, Medium Term Note Series V" (sometimes herein referred to as the "Bonds of the Medium Term Note Series V"), and to specify the form and provisions of the Bonds of such series, and to mortgage, pledge, convey, transfer or assign to the Trustee and to subject to the lien of the Original Indenture certain additional properties acquired by the Company since the execution and delivery of the Original Indenture; and

WHEREAS, the Company intends at this time and from time to time to issue an aggregate principal amount of Bonds of the Medium Term Note Series V not to exceed \$50,000,000 under and in accordance with the terms of the Original Indenture and the supplemental indentures above referred to; and

WHEREAS, the Bonds of the Medium Term Note Series V and the Trustee's authentication certificate to be executed on the Bonds of the Medium Term Note Series V are to be substantially in the following forms, respectively:

(Form of Bond of the Medium Term Note Series V)  
[Face of Bond]

Registered  
No.

Registered  
\$

PORTLAND GENERAL ELECTRIC COMPANY  
FIRST MORTGAGE BOND, MEDIUM TERM NOTE SERIES V  
(Fixed Rate)

ORIGINAL ISSUE DATE:	INTEREST RATE:	MATURITY DATE:
	%	
INTEREST PAYMENT DATES:	INTEREST PAYMENT PERIOD:	INITIAL REGULAR REDEMPTION DATE:
INITIAL REGULAR REDEMPTION PERCENTAGE:	ANNUAL REGULAR REDEMPTION PERCENTAGE REDUCTION:	OPTIONAL REPAYMENT DATE(S):

Portland General Electric Company, an Oregon corporation (hereinafter sometimes called the "Company"), for value received, hereby promises to pay to

\_\_\_\_\_ /  
or \_\_\_\_\_ registered \_\_\_\_\_ assigns,

\_\_\_\_\_ Dollars on the Maturity Date specified above (except to the extent redeemed

or repaid prior to the Maturity Date), and to pay interest thereon at the Interest Rate per annum specified above, until the principal hereof is paid or duly made available for payment, monthly, quarterly, semiannually or annually, as specified above as the Interest Payment Period, and on the Interest Payment Dates specified above, in each year commencing on the first Interest Payment Date next succeeding the Original Issue Date specified above, unless the Original Issue Date occurs between a Regular Record Date, as defined below, and the next succeeding Interest Payment Date, in which case commencing on the second Interest Payment Date succeeding the Original Issue Date, to the registered holder of this bond on the Regular Record Date with respect to such Interest Payment Date, and on the Maturity Date shown above (or any Redemption Date as described on the reverse hereof or any Optional Repayment Date specified above). Interest on this bond will accrue from the most recent Interest Payment Date to which interest has been paid or duly provided for or, if no interest has been paid, from the Original Issue Date specified above, until the principal hereof has been paid or duly made available for payment. If the Maturity Date (or any Redemption Date or any Optional Repayment Date) or an Interest Payment Date falls on a day which is not a Business Day as defined below, principal or interest payable with respect to such Maturity Date (or Redemption Date or Optional Repayment Date) or Interest Payment Date will be paid on the next succeeding Business Day with the same force and effect as if made on such Maturity Date (or Redemption Date or Optional Repayment Date) or Interest Payment Date, as the case may be, and no interest shall accrue for the period from and after such Maturity Date (or Redemption Date or Optional Repayment Date) or Interest Payment Date. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, subject to certain exceptions, be paid to the person in whose name this bond (or one or more predecessor bonds) is registered at the close of business on the fifteenth day (whether or not a Business Day) next preceding such Interest Payment Date (the "Regular Record Date"); PROVIDED, HOWEVER, that interest payable on the Maturity Date (or any Redemption Date or any Optional Repayment Date) will be payable to the person to whom the principal hereof shall be payable. Should the Company default in the payment of interest ("Defaulted Interest"), the Defaulted Interest shall be paid to the person in whose name this bond (or one or more predecessor bonds) is registered on a subsequent record date fixed by the Company, which subsequent record date shall be fifteen (15) days prior to the payment of such Defaulted Interest. As used herein, "Business Day" means any day, other than a Saturday or Sunday, on which banks in The City of New York are not required or authorized by law to close.

Payment of the principal of and interest on this bond will be made in

immediately available funds at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; PROVIDED, HOWEVER, that payment of interest on any Interest Payment Date other than the Maturity Date (or any Redemption Date or any Optional Repayment Date) may be made at the option of the Company by check mailed to the address of the person entitled thereto as such address shall appear in the bond register of the Company. A person holding \$10,000,000 or more in aggregate principal amount of bonds having the same Interest Payment Date (whether having identical or different terms and provisions) will be entitled to receive payments of interest by wire transfer of immediately available funds if appropriate written wire transfer instructions have been received by the Trustee not less than sixteen days prior to the applicable Interest Payment Date.

Reference is hereby made to the further provisions of this bond set forth on the reverse hereof, and such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This bond shall not become or be valid or obligatory for any purpose until the authentication certificate hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, PORTLAND GENERAL ELECTRIC COMPANY has caused this instrument to be executed manually or in facsimile by its duly authorized officers and has caused a facsimile of its corporate seal to be imprinted hereon.

Dated:

PORTLAND GENERAL ELECTRIC COMPANY,

By:  
[Title]

Attest:

Secretary.

(Form of Trustee's Authentication Certificate for  
Bonds of the Medium Term Note Series V)

This is one of the bonds, of the series designated herein, described in the within-mentioned Indenture.

MARINE MIDLAND BANK, AS TRUSTEE,

By:  
Authorized Officer

## [Reverse of Bond]

This bond is one of the bonds, of a series designated as Medium Term Note Series V of an authorized issue of bonds of the Company, known as First Mortgage Bonds, not limited as to maximum aggregate principal amount, all issued or issuable in one or more series under and equally secured (except insofar as any sinking fund, replacement fund or other fund established in accordance with the provisions of the Indenture hereinafter mentioned may afford additional security for the bonds of any specific series) by an Indenture of Mortgage and Deed of Trust dated July 1, 1945, duly executed and delivered by the Company to The Marine Midland Trust Company of New York (now Marine Midland Bank), as Trustee, as supplemented and modified by forty-six supplemental indentures (such Indenture of Mortgage and Deed of Trust as so supplemented and modified being hereinafter called the "Indenture"), to which Indenture and all indentures supplemental thereto, reference is hereby made for a description of the property mortgaged and pledged as security for said bonds, the nature and extent of the security, and the rights, duties and immunities thereunder of the Trustee, the rights of the holders of said bonds and of the Trustee and of the Company in respect of such security, and the terms upon which said bonds may be issued thereunder.

This bond will not be subject to any sinking fund.

This bond may be subject to repayment at the option of the holder on the Optional Repayment Date(s), if any, indicated on the face hereof. If no Optional Repayment Dates are set forth on the face hereof, this bond may not be so repaid at the option of the holder hereof prior to maturity. On any Optional Repayment Date this bond shall be repayable in whole or in part in increments of \$1,000 (provided that any remaining principal hereof shall be at least \$100,000) at the option of the holder hereof at a repayment price equal to 100% of the principal amount to be repaid, together with interest thereon payable to the date of repayment. For this bond to be repaid in whole or in part at the option of the holder hereof, this bond must be received, with the form entitled "Option to Elect Repayment" below duly completed, by the Trustee at 140 Broadway - A Level, New York, New York 10005-1180, or such address which the Company shall from time to time notify the holders of the bonds, not more than 60 nor less than 20 days prior to an Optional Repayment Date. Exercise of such repayment option by the holder hereof shall be irrevocable.

This bond may be redeemed by the Company on any date on and after the Initial Regular Redemption Date, if any, indicated on the face hereof. If no Initial Regular Redemption Date is set forth on the face hereof, this bond may not be redeemed prior to maturity, except as provided in the second succeeding paragraph. On and after the Initial Regular Redemption Date, if any, this bond may be redeemed at any time in whole or from time to time in part in increments of \$1,000 (provided that any remaining principal hereof shall be at least \$100,000) at the option of the Company at the applicable Regular Redemption Price (as defined below) together with interest thereon payable to the date of such redemption, on notice given not more than 90 nor less than 30 days prior to such date. Any date on which Bonds are to be redeemed is herein called a "Redemption Date".

The "Regular Redemption Price" shall initially be the Initial Regular Redemption Percentage, shown on the face hereof, of the principal amount of this bond to be redeemed and shall decline at each anniversary of the Initial Regular Redemption Date, shown on the face hereof, by the Annual Regular Redemption Percentage Reduction, if any, shown on the face hereof, of the principal amount to be redeemed until the Regular Redemption Price is 100% of such principal amount.

The Bonds may be redeemed prior to maturity as a whole at any time or in part from time to time (in increments as specified in the second preceding paragraph) in the instances provided in the Indenture by the application of proceeds of the sale or disposition substantially as an entirety of the Company's electric properties at Portland, Oregon, upon payment of the principal amount thereof, together with interest accrued to the date of such redemption, on notice given as provided in such second preceding paragraph.

Interest payments on this bond will include interest accrued to but excluding the Interest Payment Date or the Maturity Date, as the case may be. Interest payments for this bond will be computed and paid on the basis of a 360-day year of twelve 30-day months.

If this bond or any portion thereof (\$1,000 or an integral multiple thereof) is duly called for redemption and payment duly provided for as specified in the Indenture, this bond or such portion thereof shall cease to be entitled to the lien of the Indenture from and after the date payment is so provided for and shall cease to bear interest from and after the redemption date fixed for such redemption.

In the event of the selection for redemption of a portion only of the principal of this bond, payment of the redemption price will be made only

upon surrender of this bond in exchange for a bond or bonds (but only of authorized denominations) for the unredeemed balance of the principal amount of this bond.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than seventy-five per cent in principal amount of the bonds (exclusive of bonds disqualified by reason of the Company's interest therein) at the time outstanding, including, if more than one series of bonds shall be at the time outstanding, not less than sixty percent in principal amount of each series affected, to effect, by an indenture supplemental to the Indenture, modifications or alterations of the Indenture and of the rights and obligations of the Company and of the holders of the bonds and coupons; provided, however, that no such modification or alteration shall be made without the written approval or consent of the holder hereof which will (a) extend the maturity of this bond or reduce the rate or extend the time of payment of interest hereon or reduce the amount of the principal hereof or reduce any premium payable on the redemption hereof, (b) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the Indenture, or (c) reduce the percentage of the principal amount of the bonds upon the approval or consent of the holders of which modifications or alterations may be made as aforesaid.

This bond is transferable by the registered owner hereof in person or by his attorney duly authorized in writing, at the corporate trust office of the Trustee in the Borough of Manhattan, City and State of New York, upon surrender of this bond for cancellation and upon payment of any taxes or other governmental charges payable upon such transfer, and thereupon a new registered bond or bonds of the same series and of a like aggregate principal amount will be issued to the transferee or transferees in exchange therefor.

The Company, the Trustee and any paying agent may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payments of or an account of the principal hereof and interest due hereon, and for all other purposes, whether or not this bond shall be overdue, and neither the Company, the Trustee nor any paying agent shall be affected by any notice to the contrary.

Bonds of this series are issuable only in fully registered form without coupons in denominations of \$100,000 or integral multiples of \$1,000 in excess thereof. The registered owner of this bond at his option may surrender the same for cancellation at said office of the Trustee and receive in exchange therefor the same aggregate principal amount of registered bonds of the same series and with the same terms and provisions, including the

same issue date, maturity date, and redemption provisions, if any, and which bear interest at the same rate, but of other authorized denominations, upon payment of any taxes or other governmental charges payable upon such exchange and subject to the terms and conditions set forth in the Indenture.

If an event of default as defined in the Indenture shall occur, the principal of this bond may become or be declared due and payable before maturity in the manner and with the effect provided in the Indenture. The holders, however, of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in the cases, to the extent and as provided in the Indenture, waive certain defaults thereunder and the consequences of such defaults.

No recourse shall be had for the payment of the principal of or the interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, against any incorporator, shareholder, director or officer, past, present or future, as such, of the Company or of any predecessor or successor corporation, either directly or through the Company or such predecessor or successor corporation, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, shareholders, directors and officers, as such, being waived and released by the holder and owner hereof by the acceptance of this bond and as provided in the Indenture.

The Indenture provides that this bond shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with and governed by the laws of said State.

#### OPTION TO ELECT REPAYMENT

The undersigned hereby irrevocably request(s) and instruct(s) the Company to repay this bond (or portion hereof specified below) pursuant to its terms at a price equal to the principal amount hereof together with interest to the repayment date, to the undersigned, at \_\_\_\_\_

(Please print or typewrite name and address of the undersigned)

For this bond to be repaid, the Trustee must receive at 140 Broadway - A Level, New York, New York 10005-1180, or at such other place or places of which the Company shall from time to time notify the holder of this bond, not more than 60 nor less than 20 days prior to an Optional Repayment Date, if any, shown on the face of this bond, this bond with this "Option to Elect

Repayment" form duly completed.

If less than the entire principal amount of this bond is to be repaid, specify the portion hereof (which shall be in increments of \$1,000) which the holder elects to have repaid and specify the denomination or denominations (which shall be \$100,000 or an integral multiple of \$1,000 in excess of \$100,000) of the bonds to be issued to the holder for the portion of this bond not being repaid (in the absence of any such specification, one such bond will be issued for the portion not being repaid).

\$ \_\_\_\_\_

Date \_\_\_\_\_

NOTICE: The signature on this Option to Elect Repayment must correspond with the name as written upon the face of this bond in every particular, without alteration or enlargement or any change whatever.

(End of Form of Bond of the Medium Term Note Series V)

and

WHEREAS, all acts and proceedings required by law and by the charter or articles of incorporation and bylaws of the Company necessary to make the Bonds of the Medium Term Note Series V to be issued hereunder, when executed by the Company, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal obligations of the Company, and to constitute this Supplemental Indenture a valid and binding instrument, have been done and taken; and the execution and delivery of this Supplemental Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS SUPPLEMENTAL INDENTURE WITNESSETH, that, in order to secure the payment of the principal of, premium, if any, and interest on all Bonds at any time issued and outstanding under the Original Indenture as supplemented and modified by the forty-five supplemental indentures hereinbefore described and as supplemented and modified by this Supplemental Indenture, according to their tenor, purport and effect, and to secure the performance and observance of all the covenants and conditions therein and herein contained, and for the purpose of confirming and perfecting the lien of the Original Indenture on the properties of the Company hereinafter described, or referred to, and for and in consideration of the premises and of the mutual covenants herein contained, and acceptance of the Bonds of the Medium Term Note Series V by the holders thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the Company has executed and delivered this

Supplemental Indenture and by these presents does grant, bargain, sell, warrant, alien, convey, assign, transfer, mortgage, pledge, hypothecate, set over and confirm unto the Trustee the following property, rights, privileges and franchises (in addition to all other property, rights, privileges and franchises heretofore subjected to the lien of the Original Indenture as supplemented by the forty-five supplemental indentures hereinbefore described and not heretofore released from the lien thereof), to wit:

## CLAUSE I

Without in any way limiting anything hereinafter described, all and singular the lands, real estate, chattels real, interests in land, leaseholds, ways, rights-of-way, easements, servitudes, permits and licenses, lands under water, riparian rights, franchises, privileges, electric generating plants, electric transmission and distribution systems, and all apparatus and equipment appertaining thereto, offices, buildings, warehouses, garages, and other structures, tracks, machine shops, materials and supplies and all property of any nature appertaining to any of the plants, systems, business or operations of the Company, whether or not affixed to the realty, used in the operation of any of the premises or plants or systems or otherwise, which have been acquired by the Company since the execution and delivery of the Original Indenture and not heretofore included in any indenture supplemental thereto, and now owned or which may hereafter be acquired by the Company (other than excepted property as defined in the Original Indenture).

## CLAUSE II

All corporate, Federal, State, municipal and other permits, consents, licenses, bridge licenses, bridge rights, river permits, franchises, grants, privileges and immunities of every kind and description, owned, held, possessed or enjoyed by the Company (other than excepted property as defined in the Original Indenture) and all renewals, extensions, enlargements and modifications of any of them, which have been acquired by the Company since the execution and the delivery of the Original Indenture and not heretofore included in any indenture supplemental thereto, and now owned or which may hereafter be acquired by the Company.

## CLAUSE III

Together with all and singular the plants, buildings, improvements, additions, tenements, hereditaments, easements, rights, privileges, licenses and franchises and all other appurtenances whatsoever belonging or in any wise pertaining to any of the property hereby mortgaged or pledged, or

intended so to be, or any part thereof, and the reversion and reversions, remainder and remainders, and the rents, revenues, issues, earnings, income, products and profits thereof, and every part and parcel thereof, and all the estate, right, title, interest, property, claim and demand of every nature whatsoever of the Company at law, in equity or otherwise howsoever, in, of and to such property and every part and parcel thereof.

TO HAVE AND TO HOLD all of said property, real, personal and mixed, and all and singular the lands, properties, estates, rights, franchises, privileges and appurtenances hereby mortgaged, conveyed, pledged or assigned, or intended so to be, together with all the appurtenances thereto appertaining and the rents, issues and profits thereof, unto the Trustee and its successors and assigns, forever:

SUBJECT, HOWEVER, to the exceptions, reservations, restrictions, conditions, limitations, covenants and matters contained in all deeds and other instruments whereunder the Company has acquired any of the property now owned by it, and to permitted encumbrances as defined in Subsection B of Section 1.11 of the Original Indenture;

BUT IN TRUST NEVERTHELESS, for the equal and proportionate use, benefit, security and protection of those who from time to time shall hold the Bonds and coupons authenticated and delivered under the Original Indenture and the forty-five supplemental indentures hereinbefore described or this Supplemental Indenture, and duly issued by the Company, without any discrimination, preference or priority of any one bond or coupon over any other by reason of priority in the time of issue, sale or negotiation thereof or otherwise, except as provided in Section 11.28 of the Original Indenture, so that, subject to said Section 11.28, each and all of said Bonds and coupons shall have the same right, lien and privilege under the Original Indenture and the forty-five supplemental indentures hereinbefore described, or this Supplemental Indenture, and shall be equally secured thereby and hereby and shall have the same proportionate interest and share in the trust estate, with the same effect as if all of the Bonds and coupons had been issued, sold and negotiated simultaneously on the date of delivery of the Original Indenture;

AND UPON THE TRUSTS, USES AND PURPOSES and subject to the covenants, agreements and conditions in the Original Indenture and the forty-five supplemental indentures hereinbefore described and herein set forth and declared.

## ARTICLE ONE.

BONDS OF THE MEDIUM TERM NOTE SERIES V AND  
CERTAIN PROVISIONS RELATING THERETO.

SECTION 1.01. CERTAIN TERMS OF BONDS OF THE MEDIUM TERM NOTE SERIES V. The aggregate principal amount of the Bonds of the Medium Term Note Series V shall be limited to \$50,000,000, excluding, however, any Bonds of the Medium Term Note Series V which may be executed, authenticated and delivered in exchange for or in lieu of or in substitution for other Bonds of such Series pursuant to the provisions of the Original Indenture or of this Supplemental Indenture.

The definitive Bonds of the Medium Term Note Series V shall be issuable only in fully registered form without coupons in the denomination of \$100,000, or any amount in excess thereof that is a multiple of \$1,000. Notwithstanding the provisions of Section 2.05 of the Original Indenture, each Bond of the Medium Term Note Series V shall be dated as of the date of its authentication, and shall mature on such date not less than nine months nor more than thirty years from such date, shall bear interest from such date, shall bear interest at such rate or rates, which may be fixed or variable, and have such other terms and conditions not inconsistent with the Original Indenture as the Board of Directors of the Company, or any officer of the Company acting pursuant to authority granted by the Board of Directors may determine (the execution of any bond of the Medium Term Note Series V by any authorized officer of the Company being, with regard to any holder of such bond, conclusive evidence of such approval). Interest on Bonds of the Medium Term Note Series V shall be payable on the dates established on the date of first authentication of such Bond ("Original Issue Date"). The person in whose name any Bond of the Medium Term Note Series V is registered at the close of business on the applicable record date with respect to any interest payment date shall be entitled to receive the interest payable thereon on such interest payment date notwithstanding the cancellation of such Bond upon any transfer or exchange thereof subsequent to such record date and prior to such interest payment date, unless the Company shall default in the payment of the interest due on such interest payment date, in which case such defaulted interest shall be paid to the person in whose name such Bond is registered on a subsequent record date fixed by the Company, which subsequent record date shall be fifteen (15) days prior to the payment of such defaulted interest. Such interest payments shall be made in such manner and in such places as provided on the Form of Bonds of the Medium Term Note Series V set forth in this Supplemental Indenture. The principal of the Bonds

of the Medium Term Note Series V shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts at the office or agency of the Company in the Borough of Manhattan, City and State of New York, and interest and premium, if any, on such Bonds shall be payable in like coin or currency at said office or agency.

The definitive Bonds of the Medium Term Note Series V may be issued in the form of Bonds, engraved, printed or lithographed on steel engraved borders.

Upon compliance with the provisions of Section 2.06 of the Original Indenture and as provided in this Supplemental Indenture, and upon payment of any taxes or other governmental charges payable upon such exchange, Bonds of the Medium Term Note Series V may be exchanged for a new Bond or Bonds of different authorized denominations of like aggregate principal amount.

The Trustee hereunder shall, by virtue of its office as such Trustee, be the registrar and transfer agent of the Company for the purpose of registering and transferring Bonds of the Medium Term Note Series V.

Notwithstanding the provisions of Section 2.11 of the Original Indenture, no service charge shall be made for any exchange or transfer of Bonds of the Medium Term Note Series V, but the Company at its option may require payment of a sum sufficient to cover any tax or other governmental charge incident thereto.

SECTION 1.02. REDEMPTION PROVISIONS FOR BONDS OF THE MEDIUM TERM NOTE SERIES V. The Bonds of the Medium Term Note Series V shall be subject to redemption prior to maturity as a whole at any time or in part from time to time as the Board of Directors of the Company, or any officer of the Company acting pursuant to authority granted by the Board of Directors may determine, and as set forth on the Form of Bonds of the Medium Term Note Series V set forth in this Supplemental Indenture.

The Bonds of the Medium Term Note Series V which are redeemable on the payment of a Regular Redemption Price as provided for in this Section 1.02 may be redeemed at such Regular Redemption Price through the application of cash deposited with the Trustee pursuant to Section 6.04 of the Original Indenture upon the taking, purchase or sale of any property subject to the lien hereof or thereof in the manner set forth in said Section.

The Bonds of the Medium Term Note Series V are also subject to redemption through the application of proceeds of the sale or disposition substantially as an entirety of the Company's electric properties at Portland, Oregon, which proceeds are required by the provisions of Section 7.01 of the Original Indenture to be applied to the retirement of Bonds, upon payment of the principal amount thereof together with interest thereon payable to the date of redemption.

SECTION 1.03. Notwithstanding the provisions of Section 4.07 of the Original Indenture, the provisions of Sections 4.04, 4.05, and 4.06 of the Original Indenture shall remain in full force and effect and shall be performed by the Company so long as any Bonds of the Medium Term Note Series V remain outstanding. The Bonds of the Medium Term Note Series V which are redeemable on the payment of a Regular Redemption Price as provided for in Section 1.02 of this Supplemental Indenture may be redeemed at such Regular Redemption Price with moneys remaining in the replacement fund provided for in said Section 4.04 of the Original Indenture.

SECTION 1.04. The requirements which are stated in the next to the last paragraph of Section 1.13 and in Clause (9) of Paragraph A of Section 3.01 of the Original Indenture to be applicable so long as any of the Bonds of the 1975 Series are outstanding shall remain applicable so long as any of the Bonds of the Medium Term Note Series V are outstanding.

SECTION 1.05. Notwithstanding the provisions of Section 2.06 or Section 2.10 of the Original Indenture, the Company shall not be required (i) to issue, register, discharge from registration, exchange or transfer any Bond of the Medium Term Note Series V for a period of fifteen (15) days next preceding any selection by the Trustee of Bonds of the Medium Term Note Series V to be redeemed or (ii) to register, discharge from registration, exchange or transfer any Bond of the Medium Term Note Series V so selected for redemption in its entirety or (iii) to exchange or transfer any portion of a Bond of the Medium Term Note Series V which portion has been so selected for redemption.

SECTION 1.06. So long as any Bonds of the Medium Term Note Series V remain outstanding, all references to the minimum provision for depreciation in the form of certificate of available additions set forth in Section 3.03 of the Original Indenture shall be included in any certificate of available additions filed with the Trustee, but whenever Bonds of the Medium Term Note Series V shall no longer be outstanding, all references to such minimum provisions for depreciation may be omitted from any such certificate.

SECTION 1.07. I. Each holder of any Bond of the Medium Term Note Series V by acceptance of such Bond shall thereby consent that, at any time after the requisite consents, if any, of the holders of Bonds of other series shall have been given as hereinafter provided, Subsections A and G of Section 1.10 of the Original Indenture be amended so as to read as follows:

"A. The term 'bondable public utility property' shall mean and comprise any tangible property now owned or hereafter acquired by the Company and subjected to the lien of this Indenture, which is located in the States of Oregon, Washington, California, Arizona, New Mexico, Idaho, Montana, Wyoming, Utah and Nevada and is used or is useful to it in the business of furnishing or distributing electricity for heat, light or power or other use, or supplying hot water or steam for heat or power or steam for other purposes, including, without limiting the generality of the foregoing, all properties necessary or appropriate for purchasing, generating, manufacturing, producing, transmitting, supplying, distributing and/or disposing of electricity, hot water or steam; PROVIDED, HOWEVER, that the term 'bondable public utility property' shall not be deemed to include any nonbondable property, as defined in Subsection B of this Section 1.10, or any excepted property."

"G. The term 'minimum provision for depreciation' for the period from March 31, 1945 through December 31, 1966, as applied to bondable public utility property, whether or not subject to a prior lien, shall mean \$35,023,487.50.

"The term 'minimum provision for depreciation' for any calendar year subsequent to December 31, 1966, as applied to bondable public utility property, shall mean the greater of (i) an amount equal to 2% of depreciable bondable public utility property, as shown by the books of the Company as of January 1 of such year, with respect to which the Company was as of that date required, in accordance with sound accounting practice, to make appropriations to a reserve or reserves for depreciation or obsolescence, or (ii) the amount actually appropriated by the Company on its books of account to a reserve or reserves for depreciation or obsolescence in respect of depreciable bondable public utility property for such calendar year, in either case less an amount equal to the aggregate of (a) the amount of any property additions which during such calendar year were included in an officers' certificate filed with the Trustee as the basis for a sinking fund credit pursuant to the provisions of a sinking fund for Bonds of any series, and (b) 166 2/3% of the principal amount of Bonds of any series which shall have been delivered to the Trustee as a credit, or which the Company shall have elected to apply as a credit, against any sinking fund payment due during such calendar year for Bonds of any series, or which shall have been

redeemed in anticipation of, or out of moneys paid to the Trustee on account of, any sinking fund payment due during such calendar year for Bonds of any series. Bonds delivered to the Trustee as, or applied as, a credit against any sinking fund payment and Bonds redeemed in anticipation of any sinking fund payment, regardless of the time when they were actually delivered, applied or redeemed, for purposes of the preceding sentence shall be deemed to have been delivered, applied or redeemed, as the case may be, on the sinking fund payment date when such sinking fund payment was due. Bonds redeemed out of moneys paid to the Trustee on account of any sinking fund payment shall, regardless of the date when they were redeemed, for purposes of the second preceding sentence, be deemed to have been redeemed on the later of (i) the date on which such moneys were paid to the Trustee or (ii) the sinking fund payment date when such sinking fund payment was due.

"The minimum provision for depreciation for any calendar year subsequent to December 31, 1966, as applied to bondable public utility property not subject to a prior lien, shall be determined as set forth in the paragraph immediately preceding, except that all references therein to 'depreciable bondable public utility property' shall be deemed to be 'depreciable bondable public utility property not subject to a prior lien'.

"The minimum provision for depreciation as applied to bondable public utility property and the minimum provision for depreciation as applied to bondable public utility property not subject to a prior lien for any period commencing subsequent to December 31, 1966 which is of twelve whole calendar months' duration but is other than a calendar year or which is of less than twelve whole calendar months' duration shall be determined by multiplying the number of whole calendar months in such period by one-twelfth of the corresponding minimum provision for depreciation for the most recent calendar year completed prior to the end of such period, and fractions of a calendar month shall be disregarded.

"The aggregate amount of the minimum provision for depreciation as applied to bondable public utility property and the aggregate amount of the minimum provision for depreciation as applied to bondable public utility property not subject to a prior lien from March 31, 1945 to any date shall be the sum of the corresponding minimum provision for depreciation for each completed calendar year between December 31, 1966 and such date, plus the corresponding minimum provision for depreciation for the period, if any, from the end of the most recent such completed calendar year to such date, in each case determined as set forth above, plus \$35,023,487.50.

"All Bonds credited against any sinking fund payment due subsequent to

December 31, 1966 for Bonds of any series and (except as provided in Section 9.04 with respect to Bonds on which a notation of partial payment shall be made) all Bonds redeemed in anticipation of or out of moneys paid to the Trustee as a part of any sinking fund payment due subsequent to December 31, 1966 for Bonds of any series, shall be canceled and no such Bonds, nor any property additions which, subsequent to December 31, 1966, shall have been included in an officers' certificate filed with the Trustee as the basis for a sinking fund credit pursuant to the provisions of a sinking fund for Bonds of any series, shall be made the basis of the authentication and delivery of Bonds or of any other further action or credit hereunder."

II. Each holder of any Bond of the Medium Term Note Series V, by acceptance of such Bond shall thereby consent that, at any time after the requisite consents, if any, of the holders of Bonds of other series shall have been given as hereinafter provided:

(1) Subsection A of Section 1.10 of the Original Indenture, as the same may be amended as hereinabove in this Section 1.07 provided, be further amended by replacing the word "and" between the words "Utah" and "Nevada" with a comma and by adding after the word "Nevada" the words "and Alaska";

(2) Subsection G of Section 1.10 of the Original Indenture, as the same may be amended as hereinabove in this Section 1.07 provided, be further amended by amending the second paragraph thereof to read as follows:

"The term 'minimum provision for depreciation' for any calendar year subsequent to December 31, 1966, as applied to bondable public utility property, shall mean the greater of (i) an amount equal to 2% of depreciable bondable public utility property, as shown by the books of the Company as of January 1 of such year, with respect to which the Company was as of that date required, in accordance with sound accounting practice, to make appropriations to a reserve or reserves for depreciation or obsolescence, or (ii) the amount actually appropriated by the Company on its books of account to a reserve or reserves for depreciation or obsolescence in respect of depreciable bondable public utility property for such calendar year, in either case less an amount equal to the aggregate of (a) the amount of any property additions which during such calendar year were included in an officers' certificate filed with the Trustee as the basis for a sinking fund credit pursuant to the provisions of a sinking fund for Bonds of any series and which as a result of having been so included have been

deemed, either without time limit or only so long as any Bonds of such series are outstanding, to have been 'included in an officers' certificate filed with the Trustee as the basis for a sinking fund credit' and to have been 'made the basis for action or credit hereunder' as such term is defined in Subsection H of Section 1.10 of the Original Indenture, and (b) 166 2/3% of the principal amount of Bonds of any series which shall have been delivered to the Trustee as a credit, or which the Company shall have elected to apply as a credit, against any sinking fund payment due during such calendar year for Bonds of any series, or which shall have been redeemed in anticipation of, or out of moneys paid to the Trustee on account of, any sinking fund payment due during such calendar year for Bonds of any series and which as a result of having been so made the basis of a credit upon a sinking fund payment and/or so redeemed by operation of a sinking fund shall have been disqualified, either without time limit or only so long as any Bonds of such series are outstanding, from being made the basis of the authentication and delivery of Bonds or of any other further action or credit under the Original Indenture or any supplemental indenture. Bonds delivered to the Trustee as, or applied as, a credit against any sinking fund payment and Bonds redeemed in anticipation of any sinking fund payment, regardless of the time when they were actually delivered, applied or redeemed, for purposes of the preceding sentence shall be deemed to have been delivered, applied or redeemed, as the case may be, on the sinking fund payment date when such sinking fund payment was due. Bonds redeemed out of moneys paid to the Trustee on account of any sinking fund payment shall, regardless of the date when they were redeemed, for purposes of the second preceding sentence, be deemed to have been redeemed on the later of (i) the date on which such moneys were paid to the Trustee or (ii) the sinking fund payment date when such sinking fund payment was due."

(3) Subsection G of Section 1.10 of the Original Indenture, as the same may be amended as hereinabove in this Section 1.07 provided, be further amended by deleting therefrom the last two paragraphs thereof and inserting therein a new last paragraph to read as follows:

"The aggregate amount of the minimum provision for depreciation as applied to bondable public utility property and the aggregate amount of the minimum provision for depreciation as applied to bondable public utility property not subject to a prior lien from March 31, 1945 to any date shall be the sum of the corresponding minimum provision for depreciation for each completed calendar year between December 31, 1966 and such date, plus (1) the corresponding

minimum provision for depreciation for the period, if any, from the end of the most recent such completed calendar year to such date, in each case determined as set forth above, plus (2) \$35,023,487.50, plus (3) an amount equal to the aggregate of (a) the amount of any property additions which, between December 31, 1966 and such date, became property additions of the character described in clause (a) of the second paragraph of this Subsection G and which, thereafter, also between December 31, 1966 and such date, became 'available additions' as a result of the fact that all Bonds of such series ceased to be outstanding, and (b) 166 2/3% of the principal amount of Bonds of any series which, between December 31, 1966 and such date, become Bonds of the character described in clause (b) of the second paragraph of this Subsection G and which, thereafter, also between December 31, 1966 and such date, became 'available Bond retirements' as a result of the fact that all Bonds of such series ceased to be outstanding."

III. Each holder of any Bond of the Medium Term Note Series V, by acceptance of such Bond shall thereby consent that, at any time after the requisite consents, if any, of the holders of Bonds of other series shall have been given as hereinafter provided:

(1) the subparagraph numbered (3) of the third paragraph of Section 1.03 of each of the Sixteenth and the Eighteenth through the Twenty-first Supplemental Indentures and the third paragraph of Section 1.03 of the Twenty-second Supplemental Indenture be amended by inserting before the words "any available additions thus shown as a credit" the phrase "provided, however, that so long as any Bonds of the \_\_\_\_\_ Series are outstanding" and inserting in the blank space of such phrase the applicable designation of the series of Bonds created by such supplemental indenture;

(2)(i) the fifth paragraph of Section 1.03 of the Ninth through the Sixteenth Supplemental Indentures and the Eighteenth through the Twenty-second Supplemental Indentures, which begins with the words "All Bonds made the basis of a credit upon any sinking fund payment for Bonds", (ii) Section 1.03 of the Seventeenth, Twenty-third and Twenty-fourth Supplemental Indentures, (iii) the last sentence of the fourth paragraph of Section 1.03 of the First, Third, Fifth, Sixth and Seventh Supplemental Indentures, which begins with the words "All Bonds delivered to the Trustee as part of or to anticipate any sinking fund payment" and (iv) the last sentence of the fourth paragraph of Section 4.03 of the Original Indenture, which begins with the words

"All Bonds delivered to the Trustee as part of or to anticipate any sinking fund payment", each be amended so as to read as follows:

"All Bonds made the basis of a credit upon any sinking fund payment, and/or (except with respect to Bonds on which a notation of partial payment shall be made as permitted by any provision of the Original Indenture, of any supplemental indenture or of any agreement entered into as permitted by the Original Indenture or by any supplemental indenture) redeemed (whether on any sinking fund payment date or in anticipation of any such sinking fund payment) by operation of the sinking fund, for Bonds of the 1975 Series, or for Bonds of the 1977 Series, or for Bonds of the 1977 Second Series, or for Bonds of the 1984 Series, or for Bonds of the 1986 Series, or for Bonds of the 4 7/8% Series due 1987, or for Bonds of the 1990 Series, or for Bonds of the 1991 Series, or for Bonds of the 4 5/8% Series due 1993, or for Bonds of the 4 3/4% Series due 1993, or for Bonds of the 1994 Series, or for Bonds of the 1995 Series, or for Bonds of the 1996 Series, or for Bonds of the 1997 Series, or for Bonds of the 2000 Series, or for Bonds of the 2001 Series, or for Bonds of the 2002 Series, or for Bonds of the 2003 Series, or for Bonds of the 2003 Second Series if not theretofore canceled shall be canceled and, except as otherwise provided in the supplemental indenture creating such series of Bonds, or in another supplemental indenture amending such supplemental indenture, so long as any Bonds of such series are outstanding shall not (but without limiting the use of the principal amount thereof in calculating any minimum provision for depreciation pursuant to the provisions of Subsection G of Section 1.10 of the Original Indenture as the same may be amended in accordance with the provisions of any supplemental indenture) be made the basis of the authentication and delivery of Bonds or of any further action or credit under the Original Indenture or any supplemental indenture.

"To the extent that

- (a) in any given year the principal amount of Bonds made the basis of a credit upon any sinking fund payment, and/or redeemed (whether on a sinking fund payment date or in anticipation of a sinking fund payment) by operation of the sinking fund, for Bonds of the 1975 Series, or for Bonds of the 1977 Series, or for Bonds of the 1977 Second Series, or for Bonds of the 1984 Series, or for Bonds of the 1986 Series, or for Bonds of the 4 7/8% Series due 1987, or for Bonds of the 1990 Series, or for Bonds of the 1991 Series, or for Bonds of the 4 5/8% Series due 1993, or for Bonds

of the  
4 3/4% Series due 1993, or for Bonds of the 1994 Series, or  
for Bonds of the 1995 Series or for Bonds of the 1996 Series,

does not exceed

- (b) an amount equal to 1% of the greatest aggregate principal amount of Bonds of such Series theretofore at any one time outstanding, after deducting from said aggregate principal amount the sum of the following amounts, in the event that such sum would equal \$500,000 or more, namely, (1) the aggregate principal amount of Bonds of such Series theretofore redeemed by the application of the proceeds of property released from the lien of the Original Indenture or taken or purchased pursuant to the provisions of Article Six of the Original Indenture, and (2) the aggregate principal amount of Bonds of such Series theretofore redeemed and retired and made the basis for the withdrawal of such proceeds pursuant to Section 7.03 of the Original Indenture or certified pursuant to Section 6.06 of the Original Indenture in lieu of the deposit of cash upon the release or taking of property; and

to the extent that

- (c) in any given year the principal amount of Bonds made the basis of a credit upon any sinking fund payment, and/or redeemed (whether on a sinking fund payment date or in anticipation of a sinking fund payment) by operation of the sinking fund, for Bonds of the 1997 Series, or for Bonds of the 2000 Series, or for Bonds of the 2001 Series, or for Bonds of the 2002 Series, or for Bonds of the 2003 Series, or for Bonds of the 2003 Second Series,

does not exceed

- (d) an amount equal to (1) 1% of the greatest aggregate principal amount of Bonds of such Series theretofore at any one time outstanding, after making the deductions from said aggregate principal amount referred to in clause (b) of this paragraph, minus (2) 60% of the amount of available additions made the basis of a credit against such sinking fund payment,

the principal amount of Bonds so made the basis of a credit upon a sinking fund payment and/or so redeemed by operation of the sinking fund for Bonds of such Series shall not (but without limiting the use of the principal amount thereof in calculating any minimum provision for

depreciation pursuant to the provisions of Subsection G of Section 1.10 of the Original Indenture as the same may be amended in accordance with the provisions of any supplemental indenture) be made the basis of the authentication and delivery of Bonds or of any other further action or credit under the Original Indenture or any supplemental indenture; and

to the extent that

- (e) in any given year the amount of available additions made the basis of a credit against any sinking fund payment for Bonds of the 1997 Series, or for Bonds of the 2000 Series, or for Bonds of the 2001 Series, or for Bonds of the 2002 Series, or for Bonds of the 2003 Series, or for Bonds of the 2003 Second Series,

does not exceed

- (f) an amount equal to one and sixty-six and two-thirds one hundredths per cent (1.66 2/3 %) of the greatest aggregate principal amount of Bonds of such Series theretofore at any one time outstanding, after making the deductions from said aggregate principal amount referred to in clause (b) of this paragraph,

the amount of available additions so made the basis of a credit against a sinking fund payment shall (but without limiting the use of the amount thereof in calculating any minimum provision for depreciation pursuant to the provisions of Subsection G of Section 1.10 of the Original Indenture as the same may be amended in accordance with the provisions of any supplemental indenture) be deemed to have been 'included in an officers' certificate filed with the Trustee as the basis for a sinking fund credit' and to have been 'made the basis for action or credit hereunder' as such term is defined in Subsection H of Section 1.10 of the Original Indenture.

"From and after the time when all Bonds of any of the Series referred to in (a) of the paragraph immediately preceding shall cease to be outstanding, a principal amount of Bonds equal to the excess of

- (i) the aggregate principal amount of Bonds made the basis of a credit upon all sinking fund payments and/or redeemed by operation of the sinking fund for Bonds of such Series as set forth in said (a) in all years, over

- (ii) the aggregate amounts set forth in (b) of the paragraph

immediately preceding with reference to Bonds of such Series for all years,

shall become 'available Bond retirements' as such term is defined in Section 1.10.J. of the Original Indenture and may thereafter be included in Item 4 of any 'certificate of available Bond retirements' thereafter delivered to and/or filed with the Trustee pursuant to Section 3.02 of the Original Indenture; and from and after the time when all Bonds of any of the Series referred to in (c) of the paragraph immediately preceding shall cease to be outstanding, a principal amount of Bonds equal to the excess of

- (iii) the aggregate principal amount of Bonds made the basis of a credit upon all sinking fund payments and/or redeemed by operation of the sinking fund for Bonds of such Series as set forth in said (c) in all years, over
- (iv) the aggregate amounts set forth in (d) of the paragraph immediately preceding with reference to Bonds of such Series for all years,

shall become 'available Bond retirements' as such term is defined in Section 1.10.J. of the Original Indenture and may thereafter be included in Item 4 of any 'certificate of available Bond retirements' thereafter delivered to and/or filed with the Trustee pursuant to Section 3.02 of the Original Indenture, and an amount of available additions equal to the excess of

- (v) the amount of available additions made the basis of a credit against all sinking fund payments for Bonds of such Series as set forth in (e) of the paragraph immediately preceding in all years, over
- (vi) the aggregate amounts set forth in (f) of the paragraph immediately preceding with reference to Bonds of such Series for all years,

shall become 'available additions' as such term is defined in Section 1.10.I. of the Original Indenture and may thereafter be included in Item 5 of any 'certificate of available additions' thereafter filed with the Trustee pursuant to Section 3.01 of the Original Indenture.";

(3) subsection H of Section 1.10 of the Original Indenture be

amended by inserting before the semicolon preceding clause (ii) thereof, and as a part of clause (1) thereof, the words "if, to the extent that, and so long as, the provisions of this Indenture or any supplemental indentures creating or providing for any such fund or any supplemental indentures amending the provisions creating or providing for any such fund shall preclude the use of property additions so included in an officers' certificate as the basis for further action or credit hereunder"; Subsection I of Section 1.10 of the Original Indenture be amended by changing the reference therein from "Item 5" to "Item 7"; and Subsection J of Section 1.10 of the Original Indenture be amended by changing the reference therein from "Item 4" to "Item 5";

(4) paragraph (3) of Section 3.01(A) of the Original Indenture be amended by changing the period at the end thereof to a comma and adding the following words thereto: "except to the extent otherwise provided in this Indenture or in any supplemental indenture";

(5) the Certificate of Available Additions set forth in Section 3.03.A. of the Original Indenture be amended by

(i) adding new paragraphs (5) and (6) thereto immediately preceding existing paragraph (5) thereof, as follows:

"(5) The aggregate amount, if any, of available additions included in Item 4 above which were so included because the same were made the basis of a credit upon any sinking fund payment for Bonds of any series and which have subsequently again become 'available additions' as a result of the fact that all Bonds of such series ceased to be outstanding, is \$\_\_\_\_\_

"(6) The aggregate amount of available additions heretofore made the basis for action or credit under said Indenture of Mortgage and which have not subsequently again become 'available additions' as set forth in Item 5 above, namely Item 4 above minus Item 5 above is \$\_\_\_\_\_

(ii) renumbering existing paragraph (5) as paragraph (7) and changing the references in renumbered paragraph (7) from "Item 3 above minus Item 4 above" to "Item 3 above minus Item 6 above",

(iii) renumbering existing paragraphs (6) and (7) as paragraphs (8) and (9) and changing the references in renumbered paragraph (9) from "Item 5 above minus Item 6 above" to "Item 7 above minus Item 8 above", and

(iv) deleting "Item 7 above" in the second line of the paragraph immediately succeeding renumbered paragraph (9) and substituting "Item 9 above" therefor; and

(6) the Certificate of Available Bond Retirements set forth in Section 3.03.B. of the Original Indenture be amended by

(i) adding a new paragraph (4) thereto immediately preceding the existing paragraph (4) thereof, as follows:

"(4) The aggregate amount, if any, of Bonds previously made the basis of a credit upon any sinking fund payment for Bonds of any series, and/or redeemed (whether on a sinking fund payment date or in anticipation of sinking fund payment) by operation of the sinking fund for Bonds of such series, which have subsequently become 'available Bond retirements' as a result of the fact that all Bonds of such series ceased to be outstanding is \$\_\_\_\_\_."

(ii) renumbering the existing paragraph (4) as paragraph (5) and revising the same to read as follows: "The amount of presently available Bond retirements, namely the sum of Items (1), (2), (3) and (4) above, is \$\_\_\_\_\_"

(iii) renumbering the existing paragraphs (5) and (6) as (6) and (7), respectively, and changing the reference in renumbered paragraph (7) from "Item 4 minus Item 5" to "Item 5 minus Item 6".

IV. The amendments of Subsections A, G, H, I and/or J of Section 1.10 of the Original Indenture, of Sections 3.01, 3.03 and/or 4.03 of the Original Indenture and/or of Section 1.03 of the First, Third, Fifth, Sixth, Seventh and Ninth through Twenty-fourth Supplemental Indentures set forth above shall, subject to the Company and the Trustee, in accordance with the provisions of Section 17.02 of the Original Indenture, entering into an indenture or indentures supplemental to the Original Indenture for the purpose of so amending said Subsections A, G, H, I and/or J, Sections 3.01,

3.03 and/or 4.03 and/or Section 1.03, become effective at such time as the holders of not less than 75% in principal amount of Bonds then outstanding or their attorneys-in-fact duly authorized, including the holders of not less than 60% in principal amount of the Bonds then outstanding of each series the rights of the holders of which are affected by such amendment, shall have consented to such amendment. No further vote or consent of the holders of Bonds of the Medium Term Note Series V shall be required to permit such amendments to become effective and in determining whether the holders of not less than 75% in principal amount of Bonds outstanding at the time such amendments become effective have consented thereto, the holders of all Bonds of the Medium Term Note Series V then outstanding shall be deemed to have so consented.

SECTION 1.08. This Article shall be of force and effect only so long as any Bonds of the Medium Term Note Series V are outstanding.

## ARTICLE TWO.

### TRUSTEE.

SECTION 2.01. The Trustee hereby accepts the trust hereby created. The Trustee undertakes, prior to the occurrence of an event of default and after the curing of all events of default which may have occurred, to perform such duties and only such duties as are specifically set forth in the Original Indenture as heretofore and hereby supplemented and modified, on and subject to the terms and conditions set forth in the Original Indenture as so supplemented and modified, and in case of the occurrence of an event of default (which has not been cured) to exercise such of the rights and powers vested in it by the Original Indenture as so supplemented and modified, and to use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or the Bonds issued hereunder or the due execution thereof by the Company. The Trustee shall be under no obligation or duty with respect to the filing, registration, or recording of this Supplemental Indenture or the re-filing, re-registration, or re-recording thereof. The recitals of fact contained herein or in the Bonds (other than the Trustee's authentication certificate) shall be taken as the statements solely of the Company, and the Trustee assumes no responsibility for the correctness thereof.

## ARTICLE THREE.

## MISCELLANEOUS PROVISIONS.

SECTION 3.01. Although this Supplemental Indenture, for convenience and for the purpose of reference, is dated August 1, 1996, the actual date of execution by the Company and by the Trustee is as indicated by their respective acknowledgments hereto annexed.

SECTION 3.02. This Supplemental Indenture is executed and shall be construed as an indenture supplemental to the Original Indenture as heretofore supplemented and modified, and as supplemented and modified hereby, the Original Indenture as heretofore supplemented and modified is in all respects ratified and confirmed, and the Original Indenture as heretofore and hereby supplemented and modified shall be read, taken and construed as one and the same instrument. All terms used in this Supplemental Indenture shall be taken to have the same meaning as in the Original Indenture except in cases where the context clearly indicates otherwise.

SECTION 3.03. In case any one or more of the provisions contained in this Supplemental Indenture or in the Bonds or coupons shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Supplemental Indenture, but this Supplemental Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

SECTION 3.04. This Supplemental Indenture may be executed in any number of counterparts, and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts, or as many of them as the Company and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, Portland General Electric Company has caused this Supplemental Indenture to be signed in its corporate name by its President or one of its Senior Vice Presidents or one of its Vice Presidents and its corporate seal to be hereunto affixed and attested by its Secretary or one of its Assistant Secretaries, and in token of its acceptance of the trusts created hereunder, Marine Midland Bank (formerly The Marine Midland Trust Company of New York) has caused this Supplemental Indenture to be signed in its corporate name by one of its Vice Presidents or one of its Assistant Vice Presidents or one of its Corporate Trust Officers and its

corporate seal to be hereunto affixed and attested by one of its Corporate Trust Officers, all as of the day and year first above written.

PORTLAND GENERAL ELECTRIC COMPANY

By: \_\_\_\_\_  
Title: SENIOR VICE PRESIDENT

Attest:

\_\_\_\_\_  
Title: ASSISTANT SECRETARY

(Seal)

MARINE MIDLAND BANK

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Attest:

\_\_\_\_\_  
Title: \_\_\_\_\_

(Seal)

State of Oregon } ss.:  
County of Multnomah

The foregoing instrument was acknowledged before me on this \_\_\_\_\_ day of August, 1996 by Joseph M. Hirko, a Senior Vice President of PORTLAND GENERAL ELECTRIC COMPANY, an Oregon corporation, on behalf of said corporation.

\_\_\_\_\_  
Notary Public for Oregon  
My Commission Expires \_\_\_\_\_

[NOTARIAL SEAL]

State of New York  
County of \_\_\_\_\_ } ss.:

The foregoing instrument was acknowledged before me on this \_\_\_\_ day of August, 1996 by \_\_\_\_\_, a(an) \_\_\_\_\_ of MARINE MIDLAND BANK, a New York banking corporation and trust company, on behalf of said corporation.

\_\_\_\_\_  
Notary Public, State of New York  
No. \_\_\_\_\_  
Commission Expires \_\_\_\_\_

[NOTARIAL SEAL]





PORTLAND GENERAL CORPORATION

OUTSIDE DIRECTORS' DEFERRED COMPENSATION PLAN

1996 RESTATEMENT

AMENDMENT NO. 2

This Amendment No. 2 to the Portland General Corporation Outside Directors' Deferred Compensation Plan, as restated effective January 1, 1996 (the "Plan") is effective as of November 4, 1996 and has been executed as of the 6th day of November 1996 on behalf of Portland General Corporation (the "Company").

WHEREAS, pursuant to Section 10.1, the Human Resources Committee of the Company's Board of Directors (the "Committee") has the authority to amend the Plan; and

WHEREAS, the Committee wishes to allow Participants who serve on the Boards of companies affiliated with the Company or joint venture partners of the Company to maintain their accounts with the Company until they no longer serve on the Board of an affiliated company;

NOW, THEREFORE, the Plan is hereby amended as follows:

FIRST: Section 3.1 is amended in its entirety to read as follows:

(a) ELIGIBILITY. An Outside Director shall be eligible to participate by making Deferral Elections under paragraph 3.2 below. The Senior Administrative Officer shall notify eligible Outside Directors about the Plan and the benefits provided under it.

(b) CESSATION OF ELIGIBILITY. An Eligible Outside Director who ceases to serve on a Board of a Participating Company shall cease participating as to new deferrals immediately.

SECOND: Section 5.1(a) is amended in its entirety to read as follows:

(a) ENTITLEMENT TO BENEFITS AT TERMINATION. Benefits under this Plan shall be payable to a Participant on termination of membership on all Boards of Participating Companies. The amount of the benefit shall be the balance of the Participant's Account including Interest to the date of payment, in the form elected under Paragraph 5.3 below.

Notwithstanding the above, if a Participant terminates Board membership with a Participating Company but, within sixty (60) days thereafter, becomes a Board member of an affiliate of the Company or Portland General Electric Company, including subsidiaries and joint venture partners, the status of which shall be determined at the discretion of the Senior Administrative Officer, the Participating Company shall continue to maintain the Participant's Account pursuant to Section IV. Benefits shall be payable to such Participant under this paragraph or Paragraph 5.1(b) below when the Participant is no longer a member of the Board of any affiliated company, as determined at the discretion of the Senior Administrative Officer.

1

PORTLAND GENERAL CORPORATION

OUTSIDE DIRECTORS' DEFERRED COMPENSATION PLAN

1996 RESTATEMENT

AMENDMENT NO. 2

THIRD: Except as provided herein, all other Plan provisions shall remain in full force and effect.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed as of the day and year first written above.

PORTLAND GENERAL CORPORATION

By: \_\_\_\_\_  
Donald F. Kielblock  
Senior Administrative Officer and  
Vice President, Human Resources





PORTLAND GENERAL CORPORATION  
MANAGEMENT DEFERRED COMPENSATION PLAN

1996 RESTATEMENT

AMENDMENT NO. 2

This Amendment No. 2 to the Portland General Corporation Management Deferred Compensation Plan, as restated effective January 1, 1996 (the "Plan") is effective as of November 4, 1996 and has been executed as of the 6th day of November 1996 on behalf of Portland General Corporation (the "Company").

WHEREAS, pursuant to Section 10.1, the Human Resources Committee of the Company's Board of Directors (the "Committee") has the authority to amend the Plan; and

WHEREAS, the Committee wishes to allow Participants who transfer to companies affiliated with the Company or joint venture partners of the Company to maintain their accounts with the Company until they are no longer employed by an affiliated company;

NOW, THEREFORE, the Plan is hereby amended as follows:

FIRST: Section 3.1(b) is amended in its entirety to read as follows:

(b) CESSATION OF ELIGIBILITY. An Eligible Employee who ceases to be an employee of a Participating Employer or to satisfy condition 2.13(a) or 2.13(b) of the definition of Eligible Employee shall cease participating as to new deferrals immediately. An Eligible Employee who ceases to satisfy condition 2.13(c) of the definition of Eligible Employee may continue to participate in the Plan if such individual has a current election to defer under the Plan at the time the Employee ceases to satisfy condition 2.13(c).

SECOND: Section 5.1(a) is amended in its entirety to read as follows:

(a) ENTITLEMENT TO BENEFITS AT TERMINATION. Benefits under this Plan shall be payable to a Participant on termination of employment with all Participating Employers. The amount of the benefit shall be the balance of the Participant's Account including Interest to the date of payment, in the form elected under Paragraph 5.3 below.

Notwithstanding the above, if a Participant transfers employment from a Participating Employer to an affiliate of the Company or Portland General Electric Company, including subsidiaries and joint venture partners, the status of which shall be determined at the discretion of the Senior Administrative Officer, the Participating Employer shall continue to maintain the Participant's Account pursuant to Section IV. Benefits shall be payable to such Participant under this paragraph or Paragraph 5.1(b) below when the Participant is no longer employed by any affiliated company, as determined at the discretion of the Senior Administrative Officer.

1

PORTLAND GENERAL CORPORATION  
MANAGEMENT DEFERRED COMPENSATION PLAN

1996 RESTATEMENT

AMENDMENT NO. 2

THIRD: Except as provided herein, all other Plan provisions shall remain in full force and effect.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed as of the day and year first written above.

PORTLAND GENERAL CORPORATION

By: \_\_\_\_\_  
Donald F. Kielblock  
Senior Administrative Officer and  
Vice President, Human Resources





CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into Portland General Corporation's previously filed Registration Statement No. 33-27462 on Form S-8, Registration Statement No. 33-40943 on Form S-8, Registration Statement No. 33-49811 on Form S-8, Registration Statement No. 33-55321 on Form S-3 and Registration Statement No. 33-61313 on Form S-8.

Arthur Andersen LLP

Portland, Oregon,  
January 20, 1997

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into Portland General Electric Company's previously filed Registration Statement No. 33-62549 on Form S-3.

Arthur Andersen LLP

Portland, Oregon,  
January 20, 1997