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HIGHLIGHTS

	1979	1978	% Increase (Decrease)
Operating revenues	$ 349,981,000	$ 303,678,000	15.2
Income before cumulative effect of change in accounting policy	$ 46,122,000	$ 48,784,000	(5.5)
Net income	$ 46,122,000	$ 56,629,000	(18.6)
Income available for common stock	$ 32,292,000	$ 42,454,000	(23.9)
Earnings per average common share—			
Before cumulative effect of change in accounting policy	$1.06	$1.40	(24.3)
Cumulative effect to January 1, 1978 of accruing estimated unbilled revenues—net	—	.32	—
Earnings per average common share	$1.06	$1.72	(38.4)
Dividends paid per common share	$1.70	$1.70	—
Net utility plant	$1,658,797,000	$1,482,862,000	11.9
Gross utility construction expenditures	$ 254,289,000	$ 278,265,000	(8.6)
Kilowatt-hours sold (in thousands) to ultimate customers	13,139,000	12,132,000	8.3
Customers served at year end	478,971	460,698	4.0
Average kilowatt-hour use per residential customer	13,814	13,459	2.6

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Notice of Annual Meeting

The annual meeting of stockholders will be held at the Portland General Electric Company Service Center, 3700 S.E. 17th Avenue, Portland, Oregon, May 14, 1980, at 2:00 p.m.

HIGHLIGHTS 1979

To our shareholders:

1979

was a year of continued growth for your Company: More customers. New industry. Construction progress and a favorable rate decision in January 1980. The year also had problems: Ice storm and poor hydro conditions. Three Mile Island. A Trojan shutdown. Higher costs and lower earnings. Through it all, however, we met our responsibilities to our investors and customers.

It is not a year we would like to repeat, but the good indeed outweighed the bad and gives us every reason to believe the Company will continue to grow and provide improved earnings in the years ahead.

January 1979 was a forewarning of things to come when a severe ice storm gripped the Portland area, causing service disruption to 125,000 customers. In spite of extreme cold and difficult working conditions, PGE employees, with help from other utilities, restored electrical service within a few days. The cost of restoration and system damage was approximately $4 million, offset by $2.5 million of insurance recoveries.

Two events caused even greater difficulty in 1979: (1) an unusually dry spring which left regional reservoirs well below normal in the fall months, and (2) a mid-October through December shutdown of the Trojan nuclear plant, at a time when energy requirements were increasing. The combined effect put the Company close to being unable to meet all its load demands by the end of December.

Trojan was shut down in October for a planned two weeks for repair work on the steam generators. During this shutdown inspections revealed seismic design deficiencies in some walls holding pipe supports. The Company did not restart the plant until modifications to walls and supports were completed and approved by the Nuclear Regulatory Commission. This required over two months of around-the-clock work. The plant returned to service on December 31, 1979.

With low hydro conditions and Trojan off line, we operated our three combustion turbine plants and had to purchase and borrow power from other utilities. As the weather became colder and loads increased, power became increasingly expensive. At times, excess power costs exceeded $700,000 per day. For the period of August through year-end, the Company incurred excess power costs of approximately $60 million.

In November, after public hearings, the Public Utility Commissioner of Oregon approved the Company's request for a power cost adjustment allowing PGE to recover in rates, up to 80 percent of the costs for unanticipated increases in the prices of eligible fuels and purchased power. The excess costs incurred prior to the Commissioner's action were not covered; however, we were able to recover $15 million. The power cost adjustment is a permanent tariff and as such represents significant progress in 1979 and an improved regulatory climate for investor-owned utilities in Oregon. The Company originally filed for a power cost adjustment in its general rate case filed in 1978, but it was rejected at that time.

Unrecovered power costs plus unanticipated changes in operating costs and conditions contributed to lower earnings per average common share of $1.[illegible] in 1979, as compared to $1.72 in 1978. Operating revenues in 1979 were $46 million over 1978 but did not offset increased expenses.

To improve its earnings, PGE filed for a rate increase in June 1979. The decision rendered in January 1980 is one reason for our optimism about the 1980's because it gives PGE an opportunity for improved performance by providing for:

- An increased authorized allowed return on common equity to 15.17 percent from 13.84 percent.
- An increased allowed rate of return on rate base to 11.15 percent from 10.53 percent.
- An additional rate increase effective in July 1980 to recover costs associated with Bonneville Power Administration's recent rate increase which went into effect December 20, 1979.
- An additional rate increase later in 1980 when the Boardman coal plant becomes operational.

While demonstrating awareness on the part of the Commissioner that any investor-owned electric utility is a riskier business than in the past, the rate decision does not entirely alleviate our financial

REPORT

Growing... to serve Tektronix, Inc., Oregon's largest employer with over 15,000 personnel in the state. Working with TEK is Paul Jensen, Manager of Customer Field Services—Western Division. TEK products are used in the science, industry and educational fields for testing, manufacture, design and research. Their world-wide reputation began with cathode-ray oscilloscopes, which continue to be a major product.

OREGON—a healthy, vital and diversified market which keeps going and growing. Serving more than one million people, Portland General Electric Company is the state's largest supplier of electricity. Customer growth has exceeded 43 percent in the last decade. Oregon's retail sales hit an estimated $8.5 billion in 1979 and median family income was $18,000. Our market profile is good.

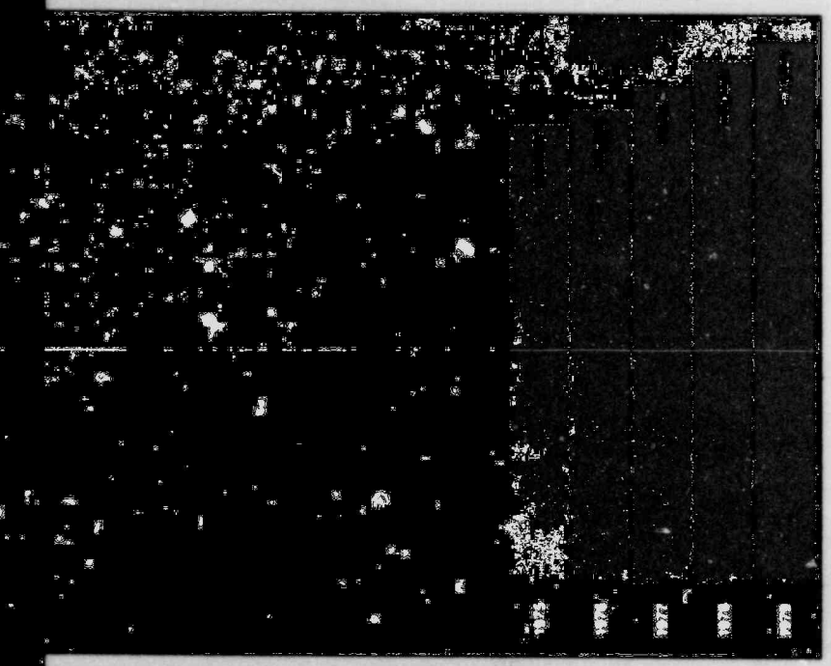
Population up 22 percent in last decade. The entire Pacific Coast region experienced excellent growth in the 70's, and in the majority of those years Oregon's percentage of population growth has been the highest of any state bordering the Pacific. Population is up 22 percent; ranking 29th in state size with its 2.5 million residents. Out-of-state visitors spent an estimated $980 million in 1979, and history demonstrates that many of them will return to live here. Migration assures market growth.

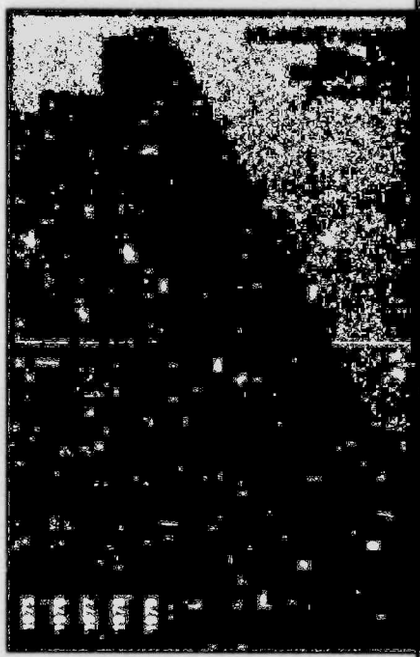
Employment continues to rise—industries varied. Oregon's growing economy is not captive of one or two industries. Non-agricultural jobs increased from 709,000 in 1970 to 1,051,000 in 1979—a gain of 48 percent. Manufacturing employment rose from its 1970 level of 172,000 to 227,000 in 1979—or 32 percent. And in the Portland metropolitan area, where most of PGE's customers are located, manufacturing employment climbed 6.3 percent between 1978 and 1979; non-manufacturing jobs were up 2.6 percent.

Diversity is the watchword. Lumber, pulp and paper, and wood products lead the list with 40 percent of the manufacturing employment. Food and kindred products account for 13 percent, while instruments and electronics is a rapidly growing area with 16 percent. The balance is spread over a wide range of industries. Of course agriculture still is an Oregon mainstay, and the Port of Portland is the gateway to the Pacific Rim area and is the largest export port on the West Coast.

17,458 new residential customers connected—68 percent chose electric heat. New housing continued at a healthy pace with the 17,458 new connects in 1979 representing the fourth largest addition in corporate history. This is down 10 percent from 1978 which was the second highest year experienced. New customers continue to demonstrate their preference for electricity, with 68 percent of the 1979 residential additions selecting electric heat and 70 percent electric water heating. However, as electrical energy supply concerns mount and natural gas supplies increase in the region, there is a noticeable trend in new construction toward gas space heating and water heating, despite its increasing cost. In view of the 1979 supply problems the Company did not discourage that, and the Public Utility Commissioner of Oregon has scheduled a generic public hearing later in 1980 for consideration of the desirability of banning new residential electric heat installations or imposing a special hookup charge. We do not believe a ban would be in the best interests of the public; however, a hookup charge which more clearly reflected the cost to service new residential heat load might be determined appropriate.

Load demands up 8.3 percent over previous year. As of December 31, PGE served 478,971 customers. Of the total, 423,389 were residential and 55,582 were commercial-industrial and other non-residential. Total 1979 electrical use by ultimate customers increased to over 13 billion kilowatt hours, or an 8.3 percent increase over 1978. This substantially exceeds the average load growth rate of 3 percent which has been experienced on the system since 1973. Strikes and a sluggish economy slowed the growth rate in 1978, thus accounting for this sizeable 1979 "recovery year" increase. While there may be some continued above-normal growth in the next two years, the average rate between 1980 and 2000 is forecast to be about 3.7 percent. Thus even with the lower growth rates we expect consumption by present and future customers to double the demand on our system by the year 2000.





GROWTH

difficulties. The decision does give us an improved opportunity to operate and manage the Company in a planned, cost-conscious, effective manner.

In 1979, Portland General Electric added 18,273 new customers, and energy sales to retail customers totaled more than 13 billion kilowatt hours. PGE's service territory continued to increase in population and diversity with the location of major electronic firms in the area and construction of a number of new high-rise office buildings.

The difficulties of the last several years have demonstrated that the economic characteristics of the utility industry have changed from the 1950's and 1960's when costs were relatively stable, rates to consumers were declining and returns to investors were consistently satisfactory. In the current inflationary environment, sustaining investor returns while providing the necessary and expensive resources adequate to serve growing demands is possible only if regulation is anticipatory and accurate. We therefore recognize that to meet our responsibility to investors and customers, PGE must impose financial as well as service objectives on resource and corporate strategies. Improved load forecasting, generation planning and budget controls are essential. We are implementing those improvements now.

Construction of the coal-fired power plant near Boardman, Oregon has tracked well with both schedule and budget. The 530-megawatt plant, 80 percent of which is owned by PGE, is projected to be in commercial operation in August 1980. Currently, we are stockpiling coal transported by rail from Wyoming.

The Company owns 20 percent of each of the 700-megawatt units #3 and #4 at the coal-fired Colstrip project in eastern Montana. Necessary approvals from state and Federal agencies were received in 1979 and the units are now under construction. Completion of both units is presently scheduled for 1984.

Progress in nuclear construction remains slow. There are delays and cost increases being experienced in the construction of the Washington Public Power Supply System (WPPSS) nuclear unit #3 of which we own 10 percent. Construction has not started as planned on the Skagit nuclear project sponsored by Puget Sound Power & Light Company with PGE as a 30 percent owner, and appears to be delayed another two years or more. Finally, PGE has rescheduled completion of the first unit of the Pebble Springs nuclear project until sometime early in the 1990's. Two years ago we felt the unit could be operating by 1987, but that is unrealistic in today's environment.

The accident at Three Mile Island in the spring of 1979 had a significant impact on the nuclear industry. This accident, combined with continuing licensing delays caused us to reevaluate PGE's resource strategy. The electric power industry must take these nuclear operational and safety concerns seriously, recognizing that any energy resource must have public support to meet both service and financial objectives. Although we believe nuclear power will play an important part in meeting the future energy needs of Oregon and the nation, we, like many other utilities in the nation, foresee substantial delays in the licensing of planned nuclear plants in the region.

With the addition of the Boardman unit in 1980 the Company should have adequate energy supplies until about 1985. However, with the rescheduling of previously planned nuclear generating additions, PGE must turn to other resources to meet the needs of customers in our service area beyond 1985.

To meet the requirements of our customers after 1985, we are considering new generating facilities including an additional coal unit at the Boardman site and participation in a coal plant to be sponsored by The Washington Water Power Company. Additional hydroelectric projects at Bull Run, the Pelton regulating dam and Willamette Falls are future possibilities. Increased emphasis will be placed also on those load management and conservation programs which promise to be less costly than building new generating facilities. In addition, the northwest utilities are discussing ways to coordinate the timing and construction of generating plants.

We fully recognize there are those who would obstruct all new energy development and will turn their efforts toward this end. Environmental and regulatory delays are also associated with the mining and burning of coal, and there is an obvious need for expansion of existing national transportation systems. Coal expansion will not be without problems, but it must be achieved.

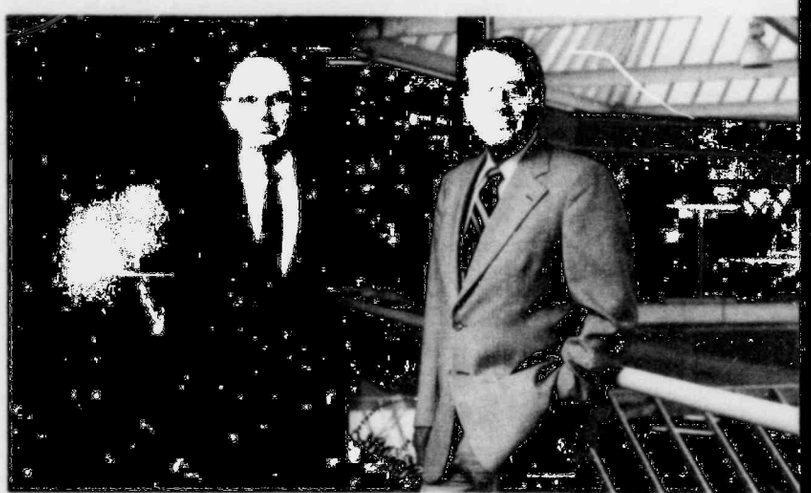
The Northwest Regional Energy Bill passed the Senate in September 1979 and is now before the House. This legislation would enable the residential and rural customers of investor-owned utilities to share in the low cost power marketed by the Bonneville Power Administration as well as establish other mechanisms for efficient use of energy resources in the Northwest. Passage would enable our residential and rural customers to save up to 15 percent on power costs.

It is with regret that we inform you that Vice President and Secretary, H. H. Phillips, passed away in August. Mr. Phillips joined the Company in 1970, having previously served us as a partner in a private law firm. He served the Company well.

We have confidence that the 2,800 people who are your company will do what needs doing. They are our most valuable resource in providing the reliable service, assistance, and community involvement from which our customers benefit. It has not been easy during this period of rapid growth, inflation and turbulence, but they have steadfastly met the challenges.

As you read the balance of this report and review our existing plant and firm power resources, our construction progress, the favorable rate relief, and our plans for the future, we believe you will share our confidence for the 80's.

We appreciate your continued support and trust.



Frank M. Warren
Chairman of the Board
and Chief Executive Officer

Robert H. Short
President

March 1980

Higher power costs decrease net income. The Company's net income declined from $57 million in 1978 to $46 million in 1979, a decrease of 19 percent. Earnings per common share fell from $1.72 to $1.06. Total operating revenues were $350 million in 1979, an increase of $46 million, or 15 percent over 1978. The increase was attributable primarily to an 11.6 percent rate increase granted in January 1979 and in part to an increase in kilowatt hour sales. In addition, allowance for funds used during construction (ADC) increased sharply as a result of higher interest rates and construction levels.

The above increases in revenues and ADC were more than offset by the Company's inability to recover rapidly escalating power costs. The combination of poor hydro conditions beginning in August and the outage of the Trojan nuclear plant from mid-October until December 31, together with higher costs of fossil fuels and purchased power, resulted in excess power costs of approximately $60 million. Of this amount, $15 million was recovered under a permanent power cost adjustment tariff granted by the Public Utility Commissioner effective November 15, 1979. Although this tariff will enable the Company to recover a significant portion of excess power costs in the future, it does not apply to costs incurred prior to that date.

Dividend policy maintained. The Company's Board of Directors and management recognize the importance dividends play in the stockholders' investment decisions. Your Board of Directors intends to maintain a sound and forward-looking dividend policy. This is borne out by the fact the dividend has been maintained during the last three years of adversity.

During 1979, the Company paid dividends to common and preferred stockholders of $50.8 million and $13.9 million. On February 6, 1980, the Board of Directors declared a quarterly common stock dividend of 42½ cents per share payable April 15, 1980. This is an indicated annual dividend of $1.70 per share.

Stockholders have been notified that 100 percent of the 1979 common stock and preferred stock dividend payments represent a return of capital and are non-taxable as dividend income for Federal income tax purposes. These figures are subject to final determination by the Internal Revenue Service. Shareholders who have questions concerning this matter should contact their tax advisor.

Dividend reinvestment plan participation continues to grow. Participation in the Dividend Reinvestment and Common Stock Purchase Plan continued to increase this year. As of December 31, 1979 approximately 14,000 shareholders participated in the plan. They invested $7.2 million during 1979—an increase of 57 percent over 1978.

Through the plan, common and preferred stockholders of record have the opportunity to automatically reinvest their dividends for additional stock purchases. The plan also allows shareholders to invest up to $5,000 cash per calendar quarter for direct purchases of additional shares of common stock. Participants incur no commission or other charges since the shares are purchased directly from the Company.

Enrollment in the plan will be accepted at any time. Shareholders wishing further information should contact the plan agent, U.S. National Bank of Oregon, P.O. Box 3850, Portland, OR 97208, (503) 225-6474.

FINANCIAL REVIEW

Growing... to serve Crown Zellerbach behind PGE's Mark Deller, Customer Field Services Representative, Oregon City Division. Crown Z's West Linn plant makes coated groundwood publication paper and has a strong national market position in pulp and paper products.

86 percent of our residential customers have taken conservation actions. On page 4, in our discussion of growth in the service area, we stated that the 1979 use of electricity on our system was up 8.3 percent over 1978. It is important to note that the Company's conservation programs assisted in holding the total residential increase to a 6.8 percent level despite the high percentage of new electric heat installations.

New firms moving into the service area and growth of existing business and industry accounted for an increase in use of 9.5 percent. Many of these commercial customers are, or will be receiving additional conservation and load management attention in 1980.

Past customer studies indicated that approximately 86 percent of our residential customers have undertaken one or more conservation actions in their homes; the most effective being turning down thermostats on heating and water heating units and the addition of insulation, weatherstripping, and storm windows.

Since August 1972 the Company has provided customers more than one million pieces of conservation information. Much of this material is specifically designed for do-it-yourselfers.

Opinion surveys have indicated that four out of five customers say PGE conservation information is helpful, and nearly 70 percent believe additional suggestions and reminders will also be valuable. We shall continue to help.

Company weatherization plan is expanded. Oregon is a leader in encouraging residential energy conservation. The innovative no-interest, deferred payment weatherization programs for single family residences heating electrically, which were introduced in 1978 by the Company and Pacific Power & Light Company have received nationwide attention.

Since the programs were instituted in 1978, PGE has made 14,684 home energy inspections. The Company has approximately 187,400 electric heat customers and by the end of February 1980 they were all contacted in writing and offered free home audits. The Company has had up to 24 inspectors making the audits. Under this program additional weatherization has been added by 5,370 customers as of February 1980. These investments in weatherization are permitted in the rate base.

The Company also expanded its weatherization program in 1979 to permit participation by electric heating customers in multiple-family dwellings, condominiums, mobile homes in parks, and houseboats. Do-it-yourselfers are also now qualified to participate.

The Company's no-interest, deferred payment program permits weatherization work by owners of electrically heated residences to be done now and payment for the work to be made when the dwelling title is transferred or when electric service is terminated.

Schools and businesses receive extra conservation attention. An aggressive effort to encourage conservation in the commercial, industrial and educational sectors is underway. Company Energy Management Consultants have made energy audits of schools and businesses and offered conservation advice. Assistance in educational programs for schools, involving students, parents and teachers, is also being undertaken. Workshops, special "parents energy conservation nights," class programs and informational materials are being offered.

In his current rate order, Public Utility Commissioner John Lobdell stated: "This company has made major expenditures to place energy information before its customers. In the last half of 1979, most of those efforts related to advising customers of the need for energy conservation, and how to effect conservation. Most of PGE's newspaper, radio and television advertising represents, in my view, a significant contribution toward helping consumers make informed energy decisions. I commend those efforts."

In the past two years, PGE weatherization inspectors [illegible] visited [illegible]

CONSERVATION

Pebble Springs nuclear project rescheduled. After more than 7 years of federal and state hearings, the Company has rescheduled the construction completion of our two 1260-megawatt nuclear units at Pebble Springs until an early 1990's time frame.

The long-delayed Pebble Springs construction and licensing was further delayed by the accident at Three Mile Island in Pennsylvania. In effect, until March 1980, the Nuclear Regulatory Commission (NRC) had placed a virtual moratorium on the issuance of construction permits as a result of Three Mile Island, and the Oregon legislature placed a moratorium on licensing until November 1980.

Intervention by environmental and anti-nuclear activists in both state and federal proceedings has added further expense and protracted delays to the project.

The Pebble Springs project currently represents an investment of more than $200 million, with $113 million being PGE's 47.1 percent share. While seeking licensing approvals in 1979, the Company has reduced expenditures on the project to minimum levels and will maintain minimal levels to keep various licensing proceedings in progress.

Skagit nuclear plant also delayed. The uncertain regulatory process at national, state, and county levels and an unfavorable socio-political atmosphere has resulted in a 2 to 3 year deferral of two nuclear plants planned at Sedro Woolley, Washington.

The Company has a 30 percent interest in both of the 1288-megawatt units. The Company's current investment is $90 million. The project is being sponsored by Puget Sound Power & Light Company, which has indicated that it intends to continue site evaluation and licensing proceedings but that expenditures will be reduced to minimum levels.

PGE is a 10 percent partner in the Washington Public Power Supply System's 1240-megawatt nuclear plant being built near Montesano, Washington.

WPPSS # 3 power plant construction proceeding. A nuclear plant that has remained relatively unscathed from intervenor problems but is experiencing further delays and large cost overruns, the Washington Public Power Supply System's (WPPSS) 1240-megawatt # 3 plant being built near Montesano, Washington, continues under construction. Management changes and improved cost control procedures have been implemented by WPPSS.

PGE is a 10 percent partner in the project which is scheduled for completion in 1985. At 1979 year-

UNITS UNDER CONSTRUCTION OR PLANNED	LOCATION	CAPABILITY MEGAWATTS	% OF COMPANY'S INTEREST	FUEL	COMPANY COST TO 12/31/79 (000's)	EARLIEST DATE OF OPERATION (A)
Boardman	Boardman, Oregon	530	80	Coal	$336,056	1980
Colstrip 3rd unit 4th unit	Colstrip, Montana	700 700	20 20	Coal Coal	30,164	1984
WPPSS No. 3	Montesano, Washington	1240	10	Nuclear	49,346	1985
Skagit 1st unit 2nd unit	Sedro Woolley, Washington	1288 1288	30 30	Nuclear Nuclear	89,724	early 1990's
Pebble Springs 1st unit 2nd unit	Arlington, Oregon	1260 1260	47.1 47.1	Nuclear Nuclear	113,380	early 1990's

A) Dates of operation, construction costs, and joint ownership arrangements are subject to continuing review and alteration due to changing conditions.

CONSTRUCTION

Growing . . . to serve Precision Castparts, known in the investment casting business as the "big castings" company. According to Mike Porter, a PGE Branch Manager, the Company is a major supplier to the aerospace industry with its castings for jet engines. PCC is building an additional 170,000 sq. ft. production facility for operation in mid-1980, to help handle its orders backlog.

end, the plant was 19 percent complete and PGE's investment amounted to $49 million. WPPSS has five nuclear units under construction which will add 6000 megawatts to the region's power supply.

Boardman coal plant continues on schedule toward August '80 start-up. More than 85 percent of the construction work on PGE's 530-megawatt Boardman coal plant was completed at year-end. PGE's investment in the plant was $336 million at that time.

The plant's coal-handling system is now in operation. On January 5, 1980 the first load of coal arrived at the plant site from mines near Gillette, Wyoming. The Company has two 100-car unit trains hauling coal over the 1,200-mile route.

Construction force reached peak strength in January 1980 with some 1,700 workers on the job. The work force will decrease as the plant gets closer to its summer completion. Operating staff will number about 125.

The plant is not only on schedule but within budget in spite of higher than anticipated interest rates and rising equipment costs. This is a rare accomplishment today in the power generation field and speaks well for the people involved in the project.

PGE's partners in the project are Idaho Power Company and Pacific Northwest Generating Company; each with 10 percent shares.

Colstrip coal plant construction underway. The Montana Colstrip units # 3 and # 4 project, of which PGE is 20 percent owner, was 8 percent complete at year-end. The Company's investment in Colstrip is $30 million.

Construction resumed in September following receipt of approvals from state and federal agencies. There had been extended hearings and appeals in connection with The Montana Power Company's efforts to obtain necessary permits. By the end of 1980 the project should be 25 percent complete. During the coming year we expect to reduce our participation to 18.6 percent ownership so that cooperatives in the Mountain States can share in the project.

The two 700-megawatt coal-fired units are located next to the existing units 1 and 2 of the Colstrip generating plant and surface mine in southeastern Montana. Unit 3 is slated for commercial operation in early 1984 and Unit 4 later in that year.

Trojan resumes operation after repairs completed. Upon completion of repairs and modifications to the steam generator tubes and the piping system supports and walls, the Trojan plant returned to service on December 31, 1979. The outage extended over an 80 day period.

Prior to the resumption of plant operations, an NRC Atomic Safety and Licensing Board (ASLB) required hearings and an extensive review of the corrective measures made by the Company. The review was conducted and operation approved by the NRC staff.

The ASLB also has scheduled hearings in April 1980 to review proposed modification of the control building to meet earthquake

CONSTRUCTION

Growing... to serve Wacker Siltronic Corp., a new member of Oregon's growing electronics manufacturing industry, PGE's Dave Elliott, Commercial-Industrial Engineer in Central Division, is working with Wacker as it builds a $60 million facility for the production of hyper pure silicon single crystals and polished wafers. These products are used in the manufacture of semi-conductor components for computers, television sets and calculators.

Poor hydro contributes to threat of mandatory curtailment. With the majority of the Pacific Northwest's power supply presently coming from hydroelectric sources, the shortage experienced in 1979 imposed serious problems on the Company.

During the period August through November the natural flow of the Columbia River at The Dalles was the lowest in 55 years. Reservoirs were below normal by 7.6 billion kilowatt hours at the end of November 1979.

Not only were our owned or long-term contracted hydroelectric resources down as compared to the previous year, but surplus power of any kind or at any price was also in short supply.

A state of emergency was declared in late November by Oregon regulatory authorities, and the governors of Oregon and Washington united in their appeal to citizens for increased conservation. Mandatory curtailment was avoided when heavy December rains and snowfall temporarily helped reservoirs and the Trojan nuclear plant was permitted to go back on line on December 31. Potential shortages still exist as snowpack surveys indicate a spring runoff about 80 percent of normal. The region needs heavy late-winter and early spring precipitation.

Company power supply will be greatly improved for next five years. With the addition of the 530-megawatt Boardman coal plant going on line in August 1980, plus other scheduled additions, the Company will move from its present tight condition into one of the region's most favorable supply situations until the mid-1980s. Partnerships in new coal plants, possible hydroelectric and cogeneration development, and increased conservation and contributions of solar assist and other alternate sources are being studied to meet those late 1980 requirements.

Diversified power resources provide good system balance. PGE's "power eggs" are not all in one or two baskets but take advantage of the varied resources available. This increased diversity, improved by the addition of the Boardman coal plant in 1980, will not only improve reliability of service but will also dilute the vulnerability of the Company to single source shortages or price hikes.

Hydroelectric: PGE owns and operates eight hydroelectric generating plants with a combined net peaking capacity of 661 megawatts. In addition, the Company has long-term supply contracts with the owners of four hydroelectric projects on the mid-Columbia River: Priest Rapids, Wanapum, Rocky Reach and Wells. These contracts are in force until after the year 2000 and presently represent nearly 735 megawatts of net capability. In 1979, PGE's hydro projects plus the above long-term contracts provided 40 percent of the Company's power requirements.

Peaking contracts with the Bonneville Power Administration and the Columbia Storage Power Exchange provide a 774-megawatt peaking resource.

The Company has also contracted for the output of the 36-megawatt City of Portland's Bull Run hydroelectric project scheduled for completion in 1982.

A new hydroelectric unit at Willamette Falls on the Willamette River near Oregon City is being considered. Under present plans the plant would provide a 60-megawatt peaking capacity and a 35-megawatt average energy contribution. Before a final decision is made; Federal, state and community input is essential. Partnership in the unit by others is being explored.

Nuclear: PGE owns 67.5 percent of the Trojan nuclear plant and receives about 729 megawatts of its output at full power. Under normal operation it is expected to supply about 25 to 30 percent of the Company's annual energy requirements.

The Trojan plant has operated well since returning on line December 31, 1979, operating 98.3 percent of the time and providing 1.4 billion kilowatt hours of needed power to the region in January and February 1980. During 1979 the plant generated 5.5 billion kilowatt hours to serve Pacific Northwest customer needs.

Trojan is scheduled for refueling and maintenance this spring and early summer when load demands will be down.

Future nuclear resources include our 124-megawatt share of the Washington Public Power Supply System unit # 3, due on line in 1985, and a total of 890 megawatts in the early 1990's from the first units of the Pebble Springs and Skagit plants.

Combustion Turbines: These units provide supplementary peaking and emergency capacity when required. The 534-megawatt combined-cycle Beaver combustion turbine delivered much needed service during the year. At full capacity it provides nearly as much capacity as the eight company-owned hydroelectric projects, but of course at much greater expense. To provide greater flexibility, provisions are being made to operate Beaver with natural gas as well as oil.

The 116-megawatt Bethel combustion turbine operates on either oil or natural gas. A permit was issued in late 1979 allowing increased hours of operation beginning in 1980. The 233-megawatt Harborton unit located in Portland, was used to provide needed emergency service in December 1979, but under agreement with the city of Portland it must be moved by May 1981 to another location to protect the metropolitan airshed. The Company is considering the Boardman site as an alternate location.

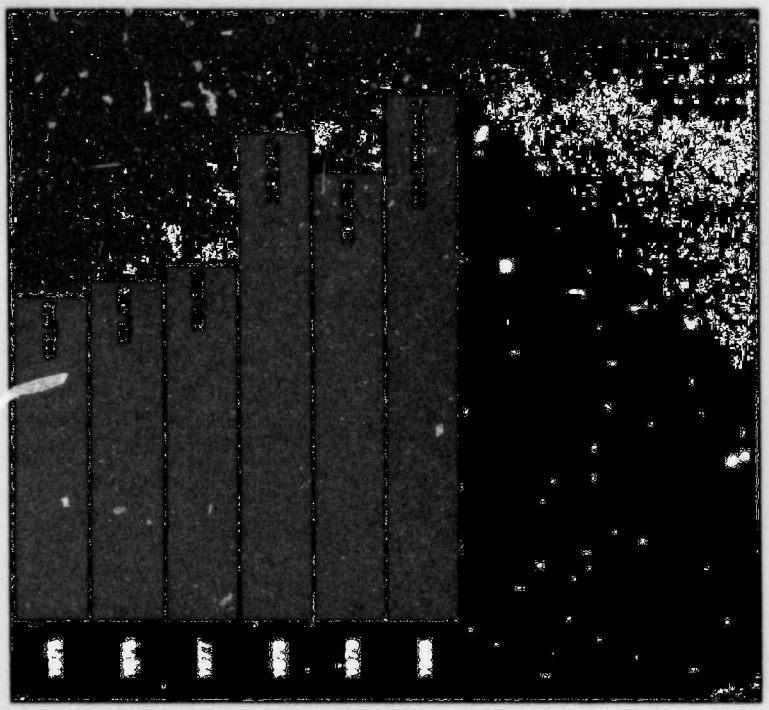
The Company's combustion turbines supplied about 5.5 percent of its 1979 energy needs, but were crucial suppliers at the time they were operating.

Coal: Our 2.5 percent ownership of the 1,313-megawatt Centralia coal-fired generating plant in Washington gives us 32 megawatts. Upon completion of the 530-megawatt Boardman plant in August of 1980 and Colstrip's two 700-megawatt units in 1984, coal will make a significant contribution to our resources. A second coal-fired unit at Boardman is under consideration. The Company is also exploring prospects of participating in coal-fired plant projects with other utilities in the state of Washington.

Other Sources: The interconnecting of bulk power systems in the region for the exchange of power and the Northwest-Southwest intertie have benefited the Company in several ways. The 4,000-megawatt intertie reduces the amount of capacity needed to meet peak demands, provides system support during emergencies, and offers a market for, and a source of, surplus electricity in either direction when available.

POWER

The 430-megawatt Boardman coal plant is expected to begin operation late this summer.



Residential growth continued at a healthy pace in 1979. The majority of the new housing developments feature underground electrical service.

standards. This is the matter which underwent several hearings in 1978. The Nuclear Regulatory Commission then determined the plant was safe for interim operation and issued a license amendment permitting full plant operation during implementation of plant modifications. In January 1979 the Company submitted a report of proposed modification design to the NRC staff. Additional studies and plan modifications have continued throughout the year. We believe that when approved the control building modifications can be made without serious interruption of service. It is estimated the work will take about a year to complete. The $32.5 million damage suit against the Bechtel Corporation, designers of the plant, for these deficiencies is proceeding in due course.

Chemeketa Food Service Employees

Nuclear fuel for Trojan under contract through 1987. Fuel for the Trojan plant undergoes several processes from mine to end use in the reactor. Contracts for each step have been secured to assure a reliable fuel supply for the next seven years.

Enough refined uranium, known as "yellowcake," has been purchased for plant operation through 1989. The yellowcake is converted to uranium hexafloride and then goes through an enrichment process under a 30-year contract with the U.S. Department of Energy. The final step is when the enriched fuel is fabricated into fuel rods. PGE has a contract with Westinghouse for this process extending to 1987.

Yellowcake has also been purchased and fuel fabrication contracts signed for Pebble Springs #1.

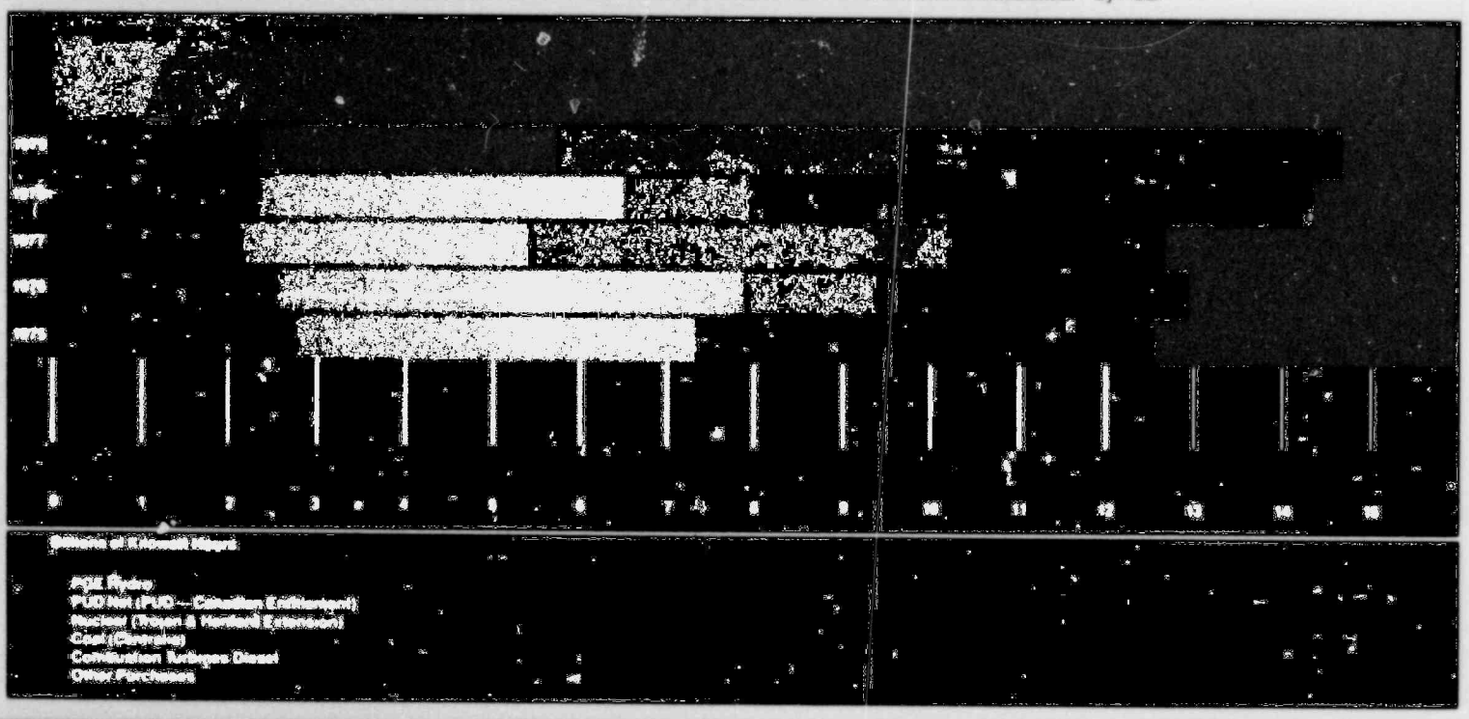
20-year Boardman coal contract set. During the next 20 years 1.2 million tons of coal for the Boardman plant will be purchased annually from AMAX Coal Company. Source of coal is the AMAX mining development near Gillette, Wyoming—1,200 miles away.

20,000 barrels of oil per month available under 2½ year contract. On site storage for 1.7 million barrels of oil is available and we had an inventory of more than 1 million barrels as of March 1, 1980. PGE has a 2½ year oil contract with Western Oil Marketing for 20,000 barrels per month. Spot purchases were possible in 1979 due to warm weather conditions but it is impossible to know what the supply situation will be in the years ahead.

Coal and uranium mining/exploration operations underway. Uranium mining development will be completed in 1980 at the Miracle Mine in Kern County, California. The Company owns 95 percent of the mine with first rights to purchase all of the uranium produced within the area under its control. Prospects warrant further exploratory work in 1980 on PGE's joint uranium venture in Colorado.

The Company has a 50 percent interest in The Beartooth Coal Company which has begun operation of a small underground coal mine near Red Lodge, Montana. It is expected to begin producing about 12,000 tons per month early in 1980. Additional drilling will be undertaken to assess the quality of the estimated additional 175 million tons of in-place coal believed to be there.

Coal began arriving in January at the Boardman power plant in north central Oregon. Shown is one of two 100-car unit trains leased by PGE.



FUEL SUPPLY

Growing . . . to serve residential housing construction such as the huge Mountain Park development in Lake Oswego being viewed here by Arden Peters, Residential Customer Field Services Representative in PGE's Central Division. There were 17,458 new residential connects made to PGE lines during 1979.

Diversified financings provide capital for Company's growth. Building new utility plants to meet present and future demand requires that large amounts of new capital be raised from a variety of sources. To finance the 1979 construction program ($254 million, including $60 million in ADC), the Company arranged long-term financing amounting to $206 million. Major activity during the year included the following:

March

Sold 5,000,000 shares of common stock to the public at $17.875 per share. Net proceeds were $86.6 million.

Sold $50 million of 10 percent notes due 1984 in the Eurodollar market. This financing was the first of its kind by a U.S. electric utility and enabled PGE to develop a new source of long-term capital.

July

Increased the Trojan fuel trust by approximately $26 million. The agreement was renegotiated to increase the amount that may be borrowed to $100 million.

November

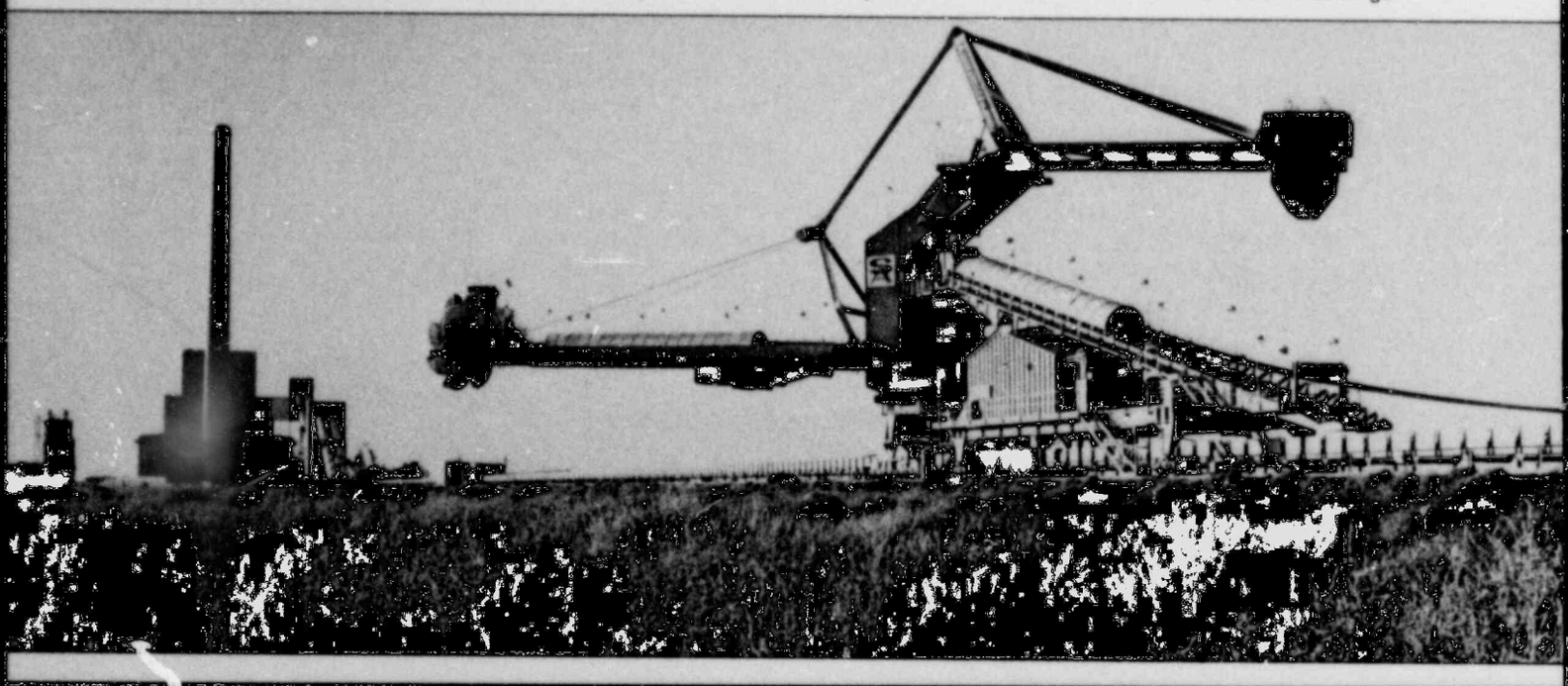
Entered into a tax oriented leveraged lease of the coal handling facilities located at the Boardman plant. Structuring and placement of this transaction took approximately 18 months. The Company received $20 million in November and an additional $11 million in January 1980.

Other

Used an additional $16 million on Port of Morrow pollution control bonds.

Participation in the Company's Dividend Reinvestment and Common Stock Purchase Plan provided approximately $7.2 million.

Financing Future Construction. PGE's 1980 utility construction program is currently estimated at $300 to $325 million (including $75 million of ADC). To partially finance this program the Company sold four million shares of common stock to the public in January 1980 at $14.375 per share. Net proceeds were $55.3 million. The Company also sold in February 1980, $55 million of 13.25 percent first mortgage bonds due 2000 on a private placement basis. In addition, the Company plans to sell additional shares of common stock and first mortgage bonds later in the year. The Company's utility construction program, which is subject to continuing review and adjustment is currently forecast for the two years 1981-1982 to be in the range of $575 to $650 million. This program will require significant external financings.



A [illegible] of Boardman coal handling facilities was finalized in November '79. Included are five mammoth stacker-reclaimers with capacities of stacking 3500 tons of coal an hour.

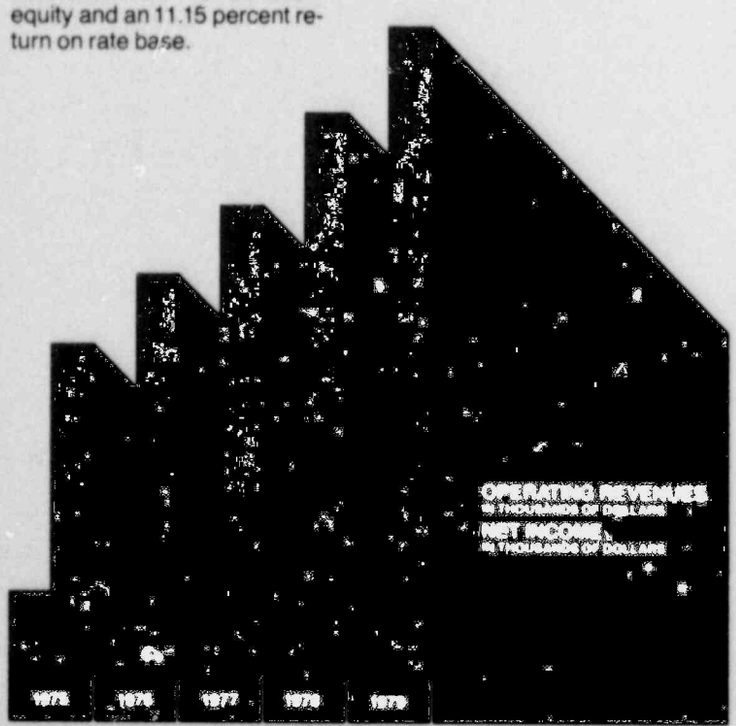
FINANCING

RATES

Favorable rate action received. On June 1, 1979, PGE requested a general rate increase of 21.1 percent. Seven and one-half months later, on January 14, 1980, a general rate order was issued on one of the most complex cases ever filed by the Company. The order from Oregon Public Utility Commissioner John Lobdell authorized an initial rate increase of 17.7 percent. The increase was the second of five phases relating to the final disposition of the matters considered in the original filing.

In his order, the Commissioner recognized the increased risk that is now attendant to utility operation and authorized a 15.17 percent rate of return on common equity and an 11.15 percent return on rate base.

Permanent power cost adjustment granted. While the case was under consideration, the Company incurred such rapid changes in fuel prices and purchased power that it was forced to file a companion case which asked for a tracking increase to recover those increased costs of fuel and purchased power. Hearings were held on that issue and a permanent power cost adjustment similar to the one requested in the original filing was granted November 15, 1979. This permanent feature allows the Company to recover 80 percent of the excess cost of eligible fuel and purchased power above such expenses that were included in the base tariffs. The power cost adjustment is computed and adjusted on a quarterly basis and in the event that power costs are lower than anticipated in the base rates, 80 percent of the underrun in cost will be returned to the ratepayers through a negative power cost adjustment.



Additional increase when Boardman goes on line. In its case the Company requested that since the Boardman plant would be on line during the last five months of 1980, that it be included in the rate base for those five months of the year and the total rate base be computed on the average of the entire year. The staff argued that passage of Ballot Measure 9 in 1978 precluded that request and proposed instead a second rate increase when the plant comes on line and calculated that increase to be the amount of the annualized cost of the Boardman facility. The Company must file the necessary financial documents not less than 45 days before the anticipated in-service date. This rate increase is expected to be in the 17 to 19 percent range.

Bonneville increase to be included. The Commissioner took note of the BPA wholesale rate increase effective December 20, 1979, but ordered that the Company defer with interest any increased expenses resulting from the Bonneville rate increase. On July 1, 1980, these deferred expenses as well as the estimated future BPA expenses will be included in a permanent rate increase which is now estimated to be about 7 percent.

PGE's filing included requests for institution of connection charges for all new customers as well as several other miscellaneous charges for service calls, bad check returns and customer transactions. The connection charge issue was separated from the case and is now being addressed in generic hearings. The customer transaction charge was denied but the other miscellaneous charges were approved.

In the fall, while the case was still being decided, the Company also asked the Commissioner to consider the desirability and feasibility of banning electric heat for new single family residences where alternate fuels were readily available. The Company has not advocated a ban; and in fact, has reserved the right to argue against it when the matter is investigated. Hearings on this issue have been coupled with the connection charge proceedings and are being heard this spring.

The final phase of the rate case adjustments deals with the issue of property tax. The Company is currently litigating its property tax assessments and when that issue is finally resolved, rates will be adjusted.

During 1980 the Company will also be involved in many mandated rate proceedings because of the National Energy Act. These include lifeline rates and cogeneration tariffs. With inflation predicted to continue, the Company fully expects that it will require a general increase by the end of the first quarter of 1981.

Growing ... to serve the Port of Portland. Jim Mathews, PGE Manager of Commercial-Industrial Customer Field Services, Central Division, stands on the largest drydock on the West Coast. The ship repair facility is one of four at the Port, which also owns and operates four major cargo terminals. In addition, the Port manages 600-acre and 3,000-acre industrial development parks.

Solar, geothermal and wind programs in $2.4 million research budget. Development of alternate and supplemental energy sources continues to receive attention as the Company searches for ways to develop new generating options that are economically feasible and environmentally acceptable.

Over $2.4 million is earmarked for research in our 1980 budget. $1.7 million will go for projects managed by the Electric Power Research Institute (EPRI). An additional $219,000 will be used to support the Liquid Metal Fast Breeder Reactor project.

Local Company research projects are budgeted for $482,000, of which approximately 12 percent will go for solar demonstration programs in the PGE service area.

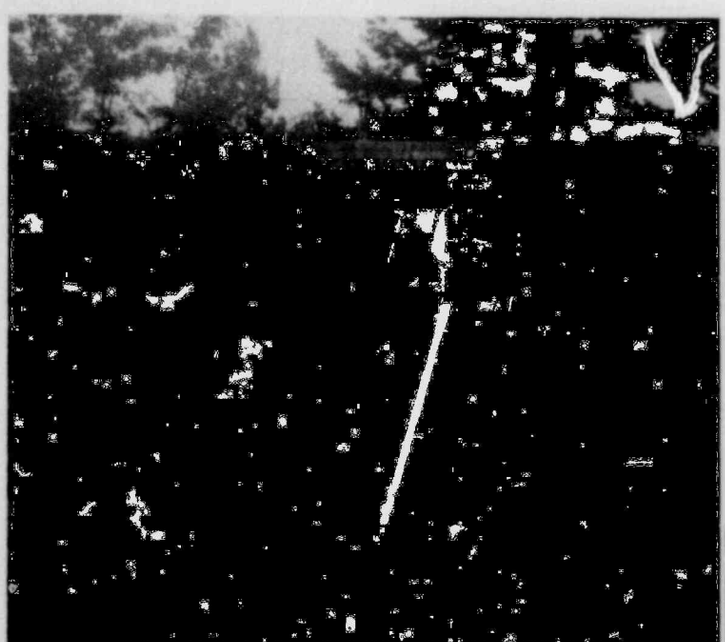
Other PGE research programs include illumination engineering research for more efficient utilization of lighting, agri-engineering studies into bio-mass fuels, heat pump water heater development, and harnessing the wind.

PGE's involvement in geothermal experimentation and development continues to increase. The Company is a member of a steering committee for engineering and design of a five megawatt facility near Malta, Idaho. This facility, the Raft River geothermal test facility, under the auspices of the Federal Department of Energy, will provide a wealth of design and operations data.

Leases and lease applications in the Mt. Hood and Three Sisters area of Oregon may eventually provide the Company with a local source of geothermal energy. PGE has applied for leases on 41,000 acres, presently has leases on 8,900 acres in these two areas, and is conducting preliminary investigations of their geothermal potential. PGE is also involved with four other utilities; Sierra Pacific Power, Pacific Power & Light, Eugene Water and Electric Board, and Sacramento Municipal Utilities District, in construction of a 10-megawatt demonstration plant northeast of Reno, Nevada.

We are particularly pleased to be working together with more than 575 other utilities in pooling our resources and funds in a coordinated research program through EPRI. Through selection, funding, and management of research projects, EPRI promotes development of new, improved, and environmentally sound technologies for producing power at the lowest possible cost.

In 1980, EPRI's national budget will be approximately $262 million. The monies will fund over 1,000 R & D projects under its management. Major study areas include nuclear, advanced power systems, conservation, synthetic fuels, coal gasification/liquifaction, geothermal, solar, fuel cells, and many other power sources of the future.



RESEARCH

"PGE is People" formed by employees to help tell Company story. "I am involved . . . because I want to help in the effort to tell customers that we are not a bunch of cold people, but that we work hard to do our jobs in getting our service to them," commented Dave Elliot, Commercial Industrial Engineer, in explaining his involvement in the "PGE is People" Program.

This program was put together in 1979 by a group of employees who banded together to publicize the public service accomplishments of the people who make up the Company.

Clerks, accountants, linemen, meter readers, mechanics, customer service representatives, and engineers like Dave Elliot, are involved in communicating the story of how PGE is serving our customers' interests.

Many of our employees are members of planning commissions, school boards, PTA's and volunteer firefighter groups. As neighbors and members of the community they are uniquely qualified to help bridge the customer-company communications gap.

The Company encourages community involvement. Our employees have a history of getting involved. They provide leadership and participation in community organizations which are helping answer social needs. Schools, youth and seniors activities, programs for the handicapped and others are typical of such involvement.

PGE has always been highly regarded as the utility that contributes most to the community. Maintaining this posture at a time when customers are concerned about rising energy costs is extremely important. We care—and we want our customers to know it.

Seniors and handicapped receive special help. Four full-time Senior Citizen Representatives now provide special assistance to our elderly customers. Working out budget payments, applying for weatherization help, helping arrange government assistance and setting up Third Party Notice plans which designates a relative, friend or agency to be automatically notified if the service of a registered customer is in danger of being terminated, are some of the representatives' activities.

Special telecommunications devices (TCD) called "Porta-Tels" have now been installed at all Company offices enabling customer representatives to "talk" with customers having hearing and/or speech impairments. It works in conjunction with a regular telephone and operates like a typewriter.

Equal opportunity program continues in important role. The Company's commitment to a strong Equal Opportunity Program continued in 1979 with the percentage of minorities employed in metropolitan Portland and Salem areas exceeding the percentage of minorities in the labor market. On-site audits of the Company's Affirmative Action Plan by the government continue to be positive.

Top photo: Bruce Barnes, a meter reader supervisor, shows a "PGE is People" badge identifying his involvement in a special customer-communications program.

Bottom Photo: New 1979 Customer services included the special "Porta-Tel" which aids in communications with customers having hearing or speech impairments.

PEOPLE

There are many signs for better years ahead. Good things are happening for the Company, and we see a welcome light at the end of the tunnel. The years ahead will not be without challenges. We don't pretend they will. But we have demonstrated our toughness and ability to serve our customers through drought, ice storms, regulatory shutdowns of Trojan and energy shortages. We find a way to do what needs doing.

Our region is growing, customers appreciate and need our service, the Company's power supply will be greatly improved, and our earning opportunities appear to be much better. The ingredients are there for a brighter future.

The people are aware and involved in energy matters. In the nation, as well as in the PGE service area, there is a deepening awareness and concern about the country's energy dilemma. In nearly all public opinion studies during the last half of 1979, the subject of energy was picked as the number one or two problem in the nation that must be solved. In large part this has been brought about by developments in foreign oil policy and prices, regulatory shutdowns and energy shortages.

This increased awareness is encouraging, because the solution to today's and tomorrow's energy problems lies in the will of the people. No one company, nor one industry can solve all of these problems—but understanding and support by/from the people on a course of action which will provide needed energy can provide the necessary impetus.

One of the major challenges this Company faces in the years ahead is to gain increased understanding for the need for long-range energy planning. Many people still feel that new energy developments can be available almost overnight. So procrastination on energy decisions seems painless. We must show the need, and point out the economic and lifestyle penalties of insufficient energy. It is a communication job that must be done over the immediate years ahead.

Coal, nuclear and small hydroelectric projects needed to meet needs of next quarter century and beyond. We still believe that in the region we serve, coal and nuclear plants must be counted on to meet the major needs in the years ahead. Small hydroelectric projects can help, as can perhaps other resources such as passive solar, geothermal, and wind. All must be evaluated and used where economically feasible. This we will do.

We will continue our effort to shorten the licensing process into a more realistic time frame. The seven years the Company has been in the process of obtaining licensing approval for the Pebble Springs nuclear plants is clear evidence of the need for revision. The estimated cost for the two plants at the time of the original licensing applications was $1.4 billion. The cost, because of delay, inflation and changing requirements is now estimated at over $5 billion, and what it will be by the early 1990's is unknown. Stockholders and ratepayers should not have to pay excessive penalties for an unwieldy regulatory process.

We will continue to seek approval for the Pebble Springs plants, which we believe is the best nuclear site in the state of Oregon. It should be approved.

We most likely will move ahead in seeking approval for a second coal plant at the Boardman site. A draft State Attorney General's opinion indicates that lengthy and detailed analysis hearings may be required for site approval by the Oregon Energy Facility Siting Council. It is anticipated the Council will give the Boardman site matter high priority.

Research efforts on geothermal, passive solar, co-generation possibilities, wind and other forms of alternate energy will continue to be pursued.

Action on nuclear waste storage discouraging. The dominant public concern regarding nuclear power is centered around the lack of disposal sites for high level waste in spent fuel. In February, President Carter asked Congress for funding to examine salt domes and other sites in the South and West as potential disposal sites. The proposal contains funding of $739 million for 1981.

The President's program would select at least one permanent site from 11 candidate sites by 1985, with expected operation in the early 1990's. He also intends to establish an away-from-the-reactor temporary storage site for spent fuel by 1983. While this is a more positive approach than has been taken earlier, it still does not recognize that reprocessing is clearly the most rational solution to the question of handling spent nuclear fuel.

Conservation effort to help customers must continue. The Company will continue conservation and weatherization activities to help customers save kilowatt hours and reduce electric bills in the years ahead. Conservation helps everybody. It helps customers save and it helps the Company. Energy saved can be less costly than building equivalent generating facilities.

This will be the eighth consecutive year that conservation assistance has been aggressively offered to PGE customers.

Important political issues face Company in 1980. On the national level the Pacific Northwest Electric Power Planning and Conservation Act, known in the area as the Regional Energy Bill, is expected to receive U.S. House of Representatives consideration this session. It would provide regional resource planning, lower cost construction, financing conservation, and a sharing of lower cost federal power by our residential and rural customers. It is a fair bill and appears to have a good possibility of passage.

On the state level it is anticipated the Company will face several anti-nuclear measures on the November ballot. One of which would prohibit participation by any Oregon utility in any nuclear construction, another which would not allow construction until licensed nuclear waste depositories were in place. A third measure is one that would call for the closure of Trojan. The Company plans to undertake a forceful, positive information program to inform Oregonians of the severe adverse economic and social impact these measures would impose.

There are several areas of our service territory that have small groups seeking to take over portions of our system by the establishment of People's Utility Districts. With an uncertain power supply and extremely high costs to acquire power and facilities, it does not appear that they could offer rates as low as PGE does. We have no intention of selling any of our system and will oppose any takeover attempts.

It will be a busy year.

FUTURE

FINANCIAL AND STATISTICAL

Portland General Electric Company and Subsidiaries

Management's Discussion and Analysis of Statements of Income

Net income and earnings per share for 1979 decreased from 1978 primarily as a result of excess power costs incurred during the second half of the year. Significant increases in revenues (11.6% rate increase in January 1979) and ADC were more than offset by the Company's inability to recover rapidly escalating power costs. The combination of poor hydro conditions beginning in August and the outage of the Trojan nuclear plant for repairs from mid-October until December 31, together with higher costs of fossil fuels and purchased power, resulted in excess power costs of approximately $60 million. Of this amount, $15 million was recovered under a permanent power cost adjustment tariff granted by the Public Utility Commissioner of Oregon effective November 15, 1979. Although this tariff will enable the Company to recover a significant portion of excess power costs in the future it did not apply to costs incurred prior to November 15.

The 1978 net income and earnings per share increased over 1977 primarily from an increase in rates and a change in accounting policy (Note 1). These increases were offset in part by the Trojan nuclear plant being out of service under order of the NRC from late June 1978 until January 1979, after it was determined that the design of the control building did not fully meet earthquake resistance standards stated in the plant's operating license. Trojan had been expected to supply approximately one-third of the Company's energy requirements during 1978. It was necessary to replace this lost generation with power at costs greatly in excess of Trojan's incremental costs. This resulted in increasing power costs by approximately $26 million for the year 1978, including approximately $20 million during the fourth quarter.

During 1977 the Pacific Northwest experienced the worst drought in its history and the resulting extremely unfavorable hydro conditions increased the Company's power costs more than $16 million above those anticipated for the year. Of this amount only $4 million was recovered through a rate surcharge. This contrasts with the extremely favorable hydro conditions which prevailed during the first eight months of 1976, reducing power costs during that period. As a result of these factors, and the timing and amount of general rate relief granted during 1977, earnings per share for 1977 were significantly less than earnings per share for 1976.

The following discussion relates to other significant factors affecting results of the Company's operations for 1977, 1978 and 1979.

Operating revenues have increased primarily as a result of the following rate increases:

September 1976 — a 17.2% general rate increase.
September 1977 — an excess power cost surcharge of 2.2 mills per Kwh from September 1 through December 1.
November 1977 — a 12.6% general rate increase.
January 1979 — an 11.6% general rate increase.
November 1979 — a power cost adjustment surcharge of 4.0 mills per Kwh from November 15.

In addition, operating revenues increased in 1978 due to sales to other utilities.

Purchased power costs vary from year to year based upon the availability of low cost hydro power. The increase in 1977 resulted primarily from the drought which required substantial purchases of higher cost thermal power during the period from April through December to replace hydro power normally available. The increase in 1978 is a result of the Company purchasing excess hydro power for resale to other utilities and replacement power from August through December due to the Trojan shutdown. These costs continued at the same level during 1979 because of the poor hydro conditions and the Trojan outage.

Production expense increased in 1977 primarily as a result of the Trojan nuclear plant, which was placed in commercial operation during 1976. In addition, 1977 production expenses increased as a result of the drought. The decrease in 1978 results from the Trojan shutdown. The increase in 1979 reflects substantial usage of the Company's oil and gas fired combustion turbines to offset poor hydro conditions and the outage of Trojan.

Administrative and other expenses have increased primarily due to the effect of inflation, the increase in the number of customers and increases in the number and wages of employees.

Maintenance and repairs and depreciation expenses have increased primarily as a result of the increase in utility plant in-service, including the Trojan nuclear plant which was declared available for commercial operation in May 1976. In addition maintenance and repairs increased in 1979 as a result of a severe ice storm in January and repairs to Trojan during the above mentioned outage.

Taxes on income increased in 1977 and 1979 and decreased in 1978. Changes in Federal and state income taxes are generally related to changes in income before income taxes. See Note 1 for the Company's income tax accounting policies and Note 2 for details of taxes on income.

Allowance for funds used during construction (ADC) increased as a result of increases in the Company's construction work in progress. In addition, 1979 was affected by an increase in the ADC rate for all construction expenditures, and 1978 was affected by an increase in the ADC rate for certain projects effective November 15, 1977 (Note 1).

Interest on long-term and short-term borrowings have increased as substantial long-term debt financings and the use of short term borrowings have been required to support the Company's construction program. In addition, long and short term interest rates were higher during 1979.

Consolidated Statements of Income

For the Years Ended December 31	1979	1978	1977	1976	1975
			(Thousands of Dollars)		
Operating Revenues (Note 1)	**$349,981**	$303,678	$253,073	$217,787	$179,942
Operating Expenses					
Purchased power	**75,111**	76,911	40,619	31,028	41,821
Production	**69,522**	23,794	30,239	15,093	9,087
Transmission and distribution	**12,805**	11,672	9,829	8,859	8,824
Administrative and other	**38,728**	33,914	29,718	23,639	18,514
Maintenance and repairs	**18,418**	13,313	12,895	8,897	7,194
Depreciation (Note 1)	**33,642**	31,587	28,159	22,112	13,890
Taxes other than income taxes	**24,166**	24,280	23,951	20,972	16,957
Taxes on income (Notes 1 and 2)	**12,300**	4,968	5,006	4,510	1,493
	284,692	220,439	179,946	135,110	117,780
Operating Income	**65,289**	83,239	73,127	82,677	62,162
Other Income					
Allowance for equity funds used during construction (Note 1)	**27,445**	9,058	5,089	4,360	6,317
Other income and deductions	**1,270**	5,325	541	988	(641)
	28,715	14,383	5,630	5,348	5,676
Interest Charges					
Interest on long-term debt	**70,326**	58,206	48,528	40,711	28,519
Interest on short-term borrowings	**9,096**	8,973	4,794	5,447	9,211
Other interest and amortization	**1,030**	1,183	846	899	347
Allowance for borrowed funds used during construction (Note 1)	**(32,570)**	(19,524)	(12,399)	(11,053)	(16,242)
	47,882	48,838	41,769	36,004	21,835
Income before cumulative effect of change in accounting policy	**46,122**	48,784	36,988	52,021	46,003
Cumulative effect to January 1, 1978 of accruing estimated unbilled revenues—less income taxes of $8,503 (Note 1)	**—**	7,845	—	—	—
Net Income	**$ 46,122**	$ 56,629	$ 36,988	$ 52,021	$ 46,003
Preferred Dividend Requirement	**13,830**	14,175	13,657	11,812	9,818
Common Stock					
Income available	**$ 32,292**	$ 42,454	$ 23,331	$ 40,209	$ 36,185
Average shares outstanding	**30,403,911**	24,709,977	21,414,344	17,687,431	14,333,333
Earnings per share					
Before cumulative effect of change in accounting policy	**$1.06**	$1.40	$1.09	$2.27	$2.52
Cumulative effect to January 1, 1978 of accruing estimated unbilled revenues—net	**—**	.32	—	—	—
Earnings per share	**$1.06**	$1.72	$1.09	$2.27	$2.52
Dividends declared per share	**$1.70**	$1.70	$1.70	$1.64	$1.58

Consolidated Statements of Retained Earnings

For the Years Ended December 31	1979	1978	1977	1976	1975
			(Thousands of Dollars)		
Balance at Beginning of Year	**$ 94,91[illegible]**	$ 94,978	$108,146	$ 97,901	$ 84,626
Net Income	**46,[illegible]**	56,629	36,988	52,021	46,003
	[illegible]	151,607	145,134	149,922	130,629
Deduct					
Dividends declared					
Common stock	**53,130**	42,514	36,408	29,964	22,910
Preferred stock	**13,830**	14,175	13,748	11,812	9,818
	66,960	56,689	50,156	41,776	32,728
Balance at End of Year	**$ 74,080**	$ 94,918	$ 94,978	$108,146	$ 97,901

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

Assets

At December 31	1979	1978
	(Thousands of Dollars)	
Electric Utility Plant—Original Cost		
In service		
Production	**$ 597,917**	$ 580,710
Transmission	**134,495**	133,310
Distribution	**385,104**	354,289
General	**58,975**	49,858
	1,176,491	1,118,167
Accumulated depreciation (Note 1)	**(203,572)**	(173,097)
	972,919	945,070
Construction work in progress (Note 6)	**617,300**	463,274
Nuclear fuel, less accumulated amortization of $29,476 and $16,278 (Note 1)	**68,578**	74,518
	1,658,797	1,482,862
Other Property and Investments	**20,955**	12,300
Current Assets		
Cash	**4,909**	4,387
Receivables		
Customer accounts	**23,120**	22,477
Other accounts and notes	**4,625**	5,886
Reserve for uncollectible accounts	**(234)**	(536)
Estimated unbilled revenues (Note 1)	**21,781**	20,209
Materials and supplies, at average cost		
Fuel oil	**28,591**	5,668
Other	**13,187**	11,585
Property taxes applicable to subsequent periods	**9,697**	9,402
Prepayments	**7,394**	2,342
Deferred power costs (Note 1)	**7,320**	—
	125,390	81,420
Deferred Charges	**16,186**	11,456
	$1,821,328	$1,588,038

Capitalization and Liabilities

At December 31	1979	1978
	(Thousands of Dollars)	
Capitalization (see accompanying statements)		
Common stock equity	**$ 551,612**	$ 478,759
Cumulative preferred stock	**150,000**	151,500
Long-term debt	**754,441**	735,119
	1,456,053	1,365,378
Current Liabilities		
Long-term debt due within one year (Note 5)	**50,988**	9,714
Current sinking fund—preferred stock (Note 3)	**1,500**	3,000
Bank loans (Note 4)	**130,000**	71,000
Accounts payable and other accruals	**98,551**	68,933
Wages and salaries payable	**2,081**	1,685
Accrued interest	**15,414**	11,773
Dividends payable	**16,814**	14,588
Accrued general taxes	**18,918**	15,708
Accrued income taxes	**865**	457
Deferred income taxes (Note 1)	**11,392**	9,375
	346,523	206,233
Other		
Deferred income taxes (Note 1)	**14,673**	12,650
Deferred investment tax credits (Note 1)	**2,366**	2,468
Miscellaneous	**1,713**	1,309
Commitments and contingencies (Note 7)	**—**	—
	18,752	16,427
	$1,821,328	$1,588,038

The accompanying notes are an integral part of these statements.

Consolidated Statements of Capitalization

At December 31	1979		1978	
	(Thousands of Dollars)			
Common Stock Equity (Note 3)				
Common stock, $3.75 par value per share, 50,000,000 shares authorized, 31,435,856 and 25,995,935 shares outstanding	$ 117,884		$ 97,485	
Other paid-in capital	363,631		290,197	
Capital stock expense	(3,983)		(3,841)	
Retained earnings	74,080		94,918	
	551,612	37.9%	478,759	35.1%
Cumulative Preferred Stock (Note 3)				
$100 par value per share, 2,500,000 shares authorized				
9.76% Series, 100,000 shares outstanding	10,000		10,000	
7.95% Series, 300,000 shares outstanding	30,000		30,000	
7.88% Series, 200,000 shares outstanding	20,000		20,000	
8.20% Series, 200,000 shares outstanding	20,000		20,000	
11.50% Series, 195,000 and 225,000 shares outstanding	19,500		22,500	
Current sinking fund on 11.50% Series	(1,500)		(3,000)	
8.875% Series, 270,000 shares outstanding	27,000		27,000	
$25 par value per share, 6,000,000 shares authorized				
$2.60 Series, 1,000,000 shares outstanding	25,000		25,000	
	150,000	10.3	151,500	11.1
Long-term Debt (Note 5)				
First mortgage bonds				
Maturing 1980 through 1985				
10½% Series due December 1, 1980	40,000		40,000	
10% Series due April 1, 1982	40,000		40,000	
3⅜% Series due November 1, 1984	7,126		7,126	
9⅞% Series due June 1, 1985	27,000		27,000	
Maturing 1986 through 1990—4¼-5¼%	28,160		28,980	
Maturing 1991 through 1995—4⅝-5⅛%	66,682		67,645	
Maturing 1996 through 2000—5⅞-9⅞%	189,951		190,142	
Maturing 2001 through 2005—7¾-11⅝%	142,000		142,000	
Maturing 2006 through 2007—8¾-9½%	100,000		100,000	
Pollution control bonds, Port of St. Helens, Oregon, 7¾%, due 2006 (guaranteed by Company)	12,735		12,735	
Pollution control bonds, Port of Morrow, Oregon, 6⅜%, due 2008 (guaranteed by Company)	34,000		34,000	
Amount held by trustee	(10,560)		(26,849)	
10% notes due March 1, 1984	50,000		—	
Trojan trust notes	77,975		51,713	
Boardman loan agreement	—		30,000	
Other	1,124		1,148	
	806,193		745,640	
Unamortized premium and discount—net	(764)		(807)	
	805,429		744,833	
Long-term debt due within one year	(50,988)		(9,714)	
	754,441	51.8	735,119	53.8
Total capitalization	$1,456,053	100.0%	$1,365,378	100.0%

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Financial Position

For the Years Ended December 31	1979	1978	1977	1976	1975
			(Thousands of Dollars)		
Source of Funds					
Current operations					
Income before cumulative effect of change in accounting policy	**$ 46,122**	$ 48,784	$ 36,988	$ 52,021	$ 46,003
Non-cash charges (credits) to income					
Depreciation and amortization	**46,840**	35,008	39,548	24,708	13,890
Deferred income taxes—net	**11,293**	1,018	7,683	8,167	5,129
Reserve transferred to revenue	**—**	—	—	—	(1,989)
Allowance for equity funds used during construction	**(27,445)**	(9,058)	(5,089)	(4,360)	(6,317)
Other—net	**2,799**	3,038	(214)	138	134
	79,609	78,790	78,916	80,674	56,850
Cumulative effect of change in accounting policy (Note 1)	**—**	7,845	—	—	—
Funds provided internally	**79,609**	86,635	78,916	80,674	56,850
Proceeds from external financing					
Long-term debt	**102,672**	116,795	157,978	120,104	122,861
Preferred stock	**—**	—	27,000	27,375	30,000
Common stock	**93,834**	68,459	62,532	65,774	29,770
Short-term borrowings—net	**59,000**	26,000	(25,650)	(57,284)	32,143
Sale/leaseback of assets (Note 7)	**20,246**	50,310	—	—	—
	$355,361	$348,199	$300,776	$236,643	$271,624
Application of Funds					
Gross utility construction	**$254,289**	$278,265	$201,896	$191,475	$182,513
Reimbursement for prior years' construction expenditures	**—**	—	—	(18,940)	—
Allowance for equity funds used during construction	**(27,445)**	(9,058)	(5,089)	(4,360)	(6,317)
	226,844	269,207	196,807	168,175	176,196
Headquarters complex construction	**—**	—	9,259	21,342	18,982
Dividends declared	**66,960**	56,689	50,156	41,776	32,728
Retirement of long-term debt and preferred stock	**45,119**	45,666	54,156	4,480	40,124
Miscellaneous—net	**13,984**	8,459	(11)	2,812	1,219
Increase (decrease) in working capital excluding current maturities, sinking funds and short-term borrowings					
Cash	**522**	(681)	(2,966)	(3,675)	6
Receivables	**4,684**	7,457	(3,981)	5,802	7,404
Estimated unbilled revenues	**1,572**	20,209	—	—	—
Materials and supplies	**24,525**	(5,776)	7,209	(13,308)	7,309
Accounts payable and accruals	**(41,516)**	(50,810)	(13,171)	7,886	(13,824)
Other—net	**12,667**	(2,221)	3,318	1,353	1,480
	$355,361	$348,199	$300,776	$236,643	$271,624

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

NOTE 1. SUMMARY OF ACCOUNTING POLICIES

The Company's accounting policies conform to generally accepted accounting principles for regulated public utilities and are in accordance with the accounting requirements and the ratemaking practices of the regulatory authorities having jurisdiction.

Consolidation Principles—The financial statements include the accounts of the Company and its wholly owned subsidiaries. Intercompany balances and transactions have been eliminated.

Revenues—Prior to 1978 revenues were recorded as customers were billed, principally on a cycle basis throughout each month. This resulted in unrecorded revenue at the end of an accounting period. The changes in unrecorded revenue from year to year were generally not significant. Due to the accelerating increase in rate levels and costs, the disparity between billed revenues and costs increased significantly. Accordingly, effective January 1, 1978, the Company changed to a method of accounting to accrue the amount of estimated unbilled revenues for services provided to the month end to more closely match revenues and costs. The cumulative effect of the change on years prior to 1978 is $16,348,000 less income taxes of $8,503,000.

Allowance for Funds Used During Construction (ADC)—ADC represents the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds used. ADC is capitalized as part of the cost of utility plant and is credited to income but does not represent current cash earnings. The allowance for borrowed funds used during construction is calculated on a pre-tax basis. ADC is not capitalized for income tax purposes.

Effective January 1, 1977 the Federal Energy Regulatory Commission (FERC) established a formula to determine the maximum allowable ADC rate and ordered that the allowance for borrowed funds used during construction be credited to interest charges and that the allowance for other (equity) funds used during construction be credited to other income. A 7% ADC rate was used on all construction expenditures until November 15, 1977 when the maximum rate allowed under the FERC order was adopted for certain construction projects. Effective January 1, 1979 the maximum rate (11.5% for 1979) was adopted for all construction expenditures.

Depreciation—Depreciation provisions are based upon the estimated service lives of the various classes of plant and property in service. Prior to January 1, 1979 depreciation on generating plants placed in service after 1975 and transportation equipment was computed on a straight-line basis. Depreciation on the remaining plant and property in service, including substantial hydroelectric facilities, was computed on the 5% sinking fund method. The Company's sinking fund method yielded depreciation substantially the same as straight-line depreciation. Effective January 1, 1979 depreciation on all plant and equipment in service has been computed on a straight-line basis. Depreciation expense as a percent of the related average depreciable plant and property in service balances approximated 2.4% in 1975, 2.8% in 1976, and 3.0% in 1977, 1978 and 1979.

Depreciation of the Trojan nuclear plant includes provisions for estimated decommissioning costs. Such provisions are included in current rates to customers based on estimated decommissioning costs of approximately $17,000,000. The Company and the Public Utility Commissioner of Oregon (Commissioner) are continuing to review the decommissioning costs estimate and it is expected that any increase in such costs will be provided for in future rate increases.

The cost of renewals and replacement of property units are charged to plant and repairs and maintenance are charged to expense. Property units retired, other than land, are charged to accumulated depreciation.

Amortization of Nuclear Fuel—The cost of nuclear fuel is amortized to expense based on the quantity of heat produced for the generation of electric energy. Effective January 1, 1979 the Commissioner has allowed increased revenues to provide for the estimated cost of permanent storage, including such cost for fuel consumed in prior years.

Retirement Plan—The Company has a noncontributory retirement plan for its employees. Total plan costs were $1,840,000, $2,758,000, $3,162,000, $3,290,000 and $3,865,000 for the years 1975 through 1979. The plan was amended effective July 1, 1978 and at January 1, 1979 (latest actuarial valuation date) the unfunded actuarial liability was estimated to be $15,000,000 and is being amortized over a 30-year period. At January 1, 1979 the actuarially computed present value of vested benefits exceeded the actuarial value of the plan assets by approximately $2,000,000. The unfunded actuarial liability, the present value of vested benefits and the actuarial value of the plan assets have not changed materially at December 31, 1979.

In addition to the retirement plan, the Company has a group life insurance plan which provides life insurance benefits to both current and retired employees. The unfunded liability for post retirement life insurance benefits at January 1, 1979 is estimated at $5,900,000. Employees contribute to the cost of insurance premiums through a fixed rate based upon the amount of insurance benefit and the balance of such cost is paid by the Company. During 1980, rates charged to customers include provisions to fund this liability over future periods.

Deferred Power Costs—Effective November 15, 1979 the Commissioner issued an order for a permanent power cost adjustment (PCA) tariff which provides for rate changes either up or down to the extent that certain power costs deviate from those included in the Company's general rate tariffs. The PCA covers two types of cost changes: (a) changes in the unit price of oil and gas used for combustion turbine generation, and (b) changes in the unit price of power purchased from other companies. The PCA provides that 80% of the costs associated with unit price changes, above or below those included in the general tariffs, be collected or refunded through an adjustment to customers' bills. Cost deviations greater than the total monthly adjustment are deferred and amortized to income during subsequent periods.

Income Taxes—Deferred income taxes are provided for timing differences between financial and income tax reporting to the extent permitted by the Commissioner for ratemaking purposes. Flow-through accounting is followed for other reductions of income taxes resulting from various provisions in the tax laws, primarily accelerated depreciation. Flow-through accounting has the effect of passing such reductions on to the Company's customers. Portions of deferred income taxes are classified as current liabilities to the extent the related assets are current. See Note 2 for details of major deferred tax items.

Tax reductions resulting from investment tax credits are amortized to income over a 30-year period, the approximate life of the related properties. The Company estimates it has approximately $55,000,000 of investment tax credit carryforwards available for application against any future Federal income tax payments. Approximately $29,000,000 of these carryforwards expire in 1982 and the balance expires in varying amounts during the years 1983 through 1986.

NOTE 2. INCOME TAX EXPENSE

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 the Company's effective rate.

	Years Ended December 31				
	1979	1978	1977	1976	1975
	(Thousands of Dollars)				
Utility					
Currently payable	**$ 143**	$ (25)	$ (1,045)	$ (1,727)	$ (3,637)
Deferred income taxes					
Capitalized interest	**7,943**	3,342	4,433	4,013	6,529
Liberalized depreciation	**3,361**	1,354	2,409	2,787	630
Deferred power costs	**1,810**	—	—	—	—
Other	**(855)**	400	(457)	(541)	(540)
Investment tax credit adjustments	**(102)**	(103)	(334)	(22)	(1,489)
Total utility	**12,300**	4,968	5,006	4,510	1,493
Nonutility					
Currently payable	**265**	(8)	(379)	(42)	316
Deferred income taxes	**1,153**	(3,103)	1,632	1,930	—
Total nonutility	**1,418**	(3,111)	1,253	1,888	316
	13,718	1,857	6,259	6,398	1,809
Cumulative effect of accounting change					
Deferred income taxes	**—**	8,503	—	—	—
Total income tax expense	**$13,718**	$10,360	$ 6,259	$ 6,398	$ 1,809
Computed tax based on statutory Federal income tax rates applied to income before income taxes and cumulative effect of accounting change	**$27,526**	$24,307	$20,758	$28,041	$22,950
Less reductions in taxes resulting from					
Flow-through items					
Excess tax over book depreciation	**6,019**	12,921	7,319	15,447	13,263
Items capitalized for books and expensed for tax	**—**	2,210	2,007	2,308	2,503
Allowance for equity funds used during construction	**12,699**	6,612	4,274	3,649	4,698
Other	**(4,910)**	707	899	239	677
	$13,718	$ 1,857	$ 6,259	$ 6,398	$ 1,809
Company's effective rate	**22.9%**	3.7%	14.5%	11.0%	3.8%

The Company has a Federal income tax net operating loss carryforward of approximately $41,000,000 expiring principally in 1985 and 1986. Deferred taxes will be recorded to the extent that the loss carryforward is realized in the future.

It is anticipated that cash outlays for income taxes will not exceed income tax expense during each of the next three years.

NOTE 3. COMMON AND PREFERRED STOCK

The following changes occurred in the common stock, cumulative preferred stock and other paid-in capital accounts (dollar amounts in thousands).

	Common Stock		Cumulative Preferred Stock				
	Number of Shares	$3.75 Par Value	Number of Shares	$100 Par Value	Number of Shares	$25 Par Value	Other Paid-in Capital
Outstanding, December 31, 1974	13,500,000	$ 50,625	800,000	$ 80,000	—	$ —	$108,146
Sales of stock	2,000,000	7,500	300,000	30,000	—	—	22,270
December 31, 1975	15,500,000	58,125	1,100,000	110,000	—	—	130,416
Sales of stock	3,559,909	13,350	—	—	1,000,000	25,000	54,799
Redemption of stock	—	—	(15,000)	(1,500)	—	—	—
December 31, 1976	19,059,909	71,475	1,085,000	108,500	1,000,000	25,000	185,215
Sales of stock	3,177,428	11,915	270,000	27,000	—	—	50,617
Redemption of stock	—	—	(30,000)	(3,000)	—	—	—
December 31, 1977	22,237,337	83,390	1,325,000	132,500	1,000,000	25,000	235,832
Sales of stock	3,758,598	14,095	—	—	—	—	54,365
Redemption of stock	—	—	(30,000)	(3,000)	—	—	—
December 31, 1978	25,995,935	97,485	1,295,000	129,500	1,000,000	25,000	290,197
Sales of stock	5,439,921	20,399	—	—	—	—	73,434
Redemption of stock	—	—	(30,000)	(3,000)	—	—	—
December 31, 1979	31,435,856	$117,884	1,265,000	$126,500	1,000,000	$25,000	$363,631

Cumulative preferred stock outstanding is redeemable at the option of the Company as follows: 9.76% Series at $110 to November 1, 1980, 7.95% Series at $105 to July 1, 1982, 7.88% Series at $106 to April 1, 1983, 8.20% Series at $106 to July 1, 1983, 11.50% Series at $108 to January 15, 1985, 8.875% Series at $108 to April 30, 1980 and $2.60 Series at $30 to April 1, 1981. Each Series is redeemable at reduced amounts after such respective dates.

Mandatory sinking fund requirements on the 11.50% and 8.875% Series preferred stock are $1,500,000 through 1982 and $3,300,000 from 1983 through 1992. The Company has the option to retire additional shares through the sinking funds.

At December 31, 1979 the Company had reserved 1,490,440 authorized but unissued shares of common stock for issuance under its dividend reinvestment and common stock purchase plan and 77,934 authorized but unissued shares of common stock for issuance under its employe stock purchase plan.

NOTE 4. SHORT-TERM BORROWINGS

At December 31, 1979 short-term borrowings of $130,000,000 include $105,000,000 under agreements with domestic banks and $25,000,000 with foreign banks. At December 31, 1978 short-term borrowings of $71,000,000 include $21,000,000 domestic and $50,000,000 foreign under the agreements.

Under a domestic credit agreement, the Company can borrow, repay, and reborrow up to a maximum of $100,000,000. This five year agreement expires July 31, 1984 unless the Company exercises a three year term option. At the Company's option, interest rates on borrowings are based (i) on the London interbank offered rate (LIBOR) at the time of each borrowing or (ii) on the higher of the prime commercial rate or the 90-119 day prime commercial paper rate plus ½ of 1% (Base Rate). Interest rates during the first two years of the agreement are as follows:

Utilization	LIBOR	Base Rate
Up to $50 million	LIBOR plus ⅜ of 1%	Base Rate
$50 up to $100 million	LIBOR plus ½ of 1%	105% of Base Rate

The agreement provides for a commitment fee of ½ of 1% per annum on the unused commitment and a facility fee determined by multiplying $1,050,000 at the end of each quarter by the average daily Base Rate.

The Company has other domestic lines of credit totaling $25,000,000. Borrowings under the lines are at the prime commercial rate. It is understood that compensating cash balances equal to 10% of the lines will be maintained; however, there are no legal restrictions as to the withdrawals of such balances.

Under the foreign credit agreement, which expires on October 31, 1980, the Company may borrow up to a maximum of $50,000,000. The interest rate on borrowings is ¾ of 1% above the London interbank offered rate at the time of each borrowing. There is a commitment fee of ½ of 1% per annum on the unused commitment if utilization is less than 50% and ⅜ of 1% if utilization is 50% or higher.

Average daily amounts of short-term borrowings outstanding during 1979 and 1978 were $55,876,000 and $69,685,000; weighted average daily interest rates on such amounts were 13.2% and 9.8%; weighted average interest rates at December 31, 1979 and 1978 were 15.7% and 12.1%. The maximum amount of short-term borrowings outstanding during 1979 and 1978 was $130,000,000 and $100,000,000. The interest rates exclude the effect of commitment fees, facility fees, and compensating cash balances.

NOTE 5. LONG-TERM DEBT

The Indenture securing the Company's first mortgage bonds constitutes a direct first mortgage lien on substantially all utility property and franchises, other than expressly excepted property, and a portion of the Boardman coal plant.

Under an agreement with a trust, the Company finances its fuel for the Trojan nuclear plant. In addition, the trust can provide funds, not to exceed 40% of the trust's assets, to the Company on its promissory note issued to the trust. The maximum financing provided by the agreement is $100,000,000. The fuel notes are repaid as the fuel is consumed and all borrowings, including those on the promissory note, are due March 1, 1982 at the earliest or March 1, 1988 at the latest. At December 31, 1979 the weighted average interest rate on outstanding notes was 14.8%. The estimated current portion of the fuel notes ($9,055,000) is included in current liabilities.

To finance a portion of the Company's share of costs for the Boardman coal plant, a wholly owned subsidiary of the Company entered into a $125,000,000 loan agreement

with a group of banks. Loans under the agreement are secured by plant and are guaranteed by the Company. The interest rate on borrowings is equal to 117% of the prime commercial rate. There is a commitment fee of ½ of 1% per annum on the unused commitment. Any loans outstanding at completion of the project or December 31, 1981, whichever is earlier, are to be paid in six equal semi-annual installments.

The following principal amounts of long-term debt become due for redemption through sinking funds and maturities during the years 1980 through 1984.

	Long-term Debt	
	Sinking Funds	Maturities
	(Thousands of Dollars)	
1980	$3,634	$40,000
1981	4,300	—
1982	9,041	40,000
1983	9,541	—
1984	9,301	56,480

The sinking funds include $1,701,000 in 1980, $2,201,000 in 1981, $2,701,000 in 1982, $3,201,000 in 1983 and $3,201,000 in 1984 which, in accordance with the terms of the Indenture, the Company anticipates satisfying by pledging available additions equal to 166⅔% of the sinking fund requirements.

NOTE 6. FINANCING AND CONSTRUCTION

The Company's utility construction program, which is subject to continuing review and adjustment, is estimated in the range of $875,000,000 to $975,000,000 for the years 1980-1982 (including ADC and nuclear fuel). This estimate is based on the Company's present plans for joint ownership of certain future generating facilities (see table on page 7).

The Company presently expects that for the above three-year period approximately 85% to 90% of its cash construction costs will require external financing including the sale of equity and debt securities. The issuance of additional preferred stock or first mortgage bonds requires the Company to meet certain earnings coverage provisions. Presently the Company is unable to issue preferred stock and may be unable to do so during the balance of 1980. After the sale of $55,000,000 of first mortgage bonds in February 1980, the Company estimates it will be unable to issue additional bonds until later in the year. The ability to meet the earnings coverage provisions to issue additional preferred stock and first mortgage bonds is primarily dependent upon improved earnings for 1980 and upon the adequacy and timeliness of rate relief thereafter.

In the absence of adequate and timely rate relief, the Company will consider reducing its construction program through the sale of partial interests in future generating units and/or the delay in the construction of future facilities, which could impair the quality and reliability of service to its customers.

Construction work-in-progress includes the Company's share of the Pebble Springs and Skagit nuclear projects. A summary of the expenditures as of December 31, 1979 follows:

	Pebble Springs	Skagit
	(Thousands of Dollars)	
Equipment	$ 54,221	$39,960
ADC	25,789	17,440
Other—including engineering and licensing	33,370	32,324
	$113,380	$89,724

The above projects have been significantly delayed due to regulatory proceedings and litigation relating to Federal and state laws and regulations, including environmental considerations. As a result of the accident in 1979 at the Three Mile Island nuclear plant in Pennsylvania, additional delays at both the Federal and state level were encountered which made it necessary to reschedule the estimated completion dates for these projects until in the early 1990's. These delays will increase substantially the estimated cost of the projects.

Although the outcome of regulatory proceedings and litigation cannot be predicted with certainty, management presently believes the two projects will ultimately be built. If the necessary licensing of a particular project cannot be obtained, then subject to regulatory approval, the Company would either attempt to transfer the project to another location and obtain construction approval and/or amortize any abandonment costs for accounting and ratemaking purposes over an approved length of time.

The Commissioner, in a recent order involving minor expenditures of another Oregon electric utility, stated that Ballot Measure 9 (adopted by the voters of Oregon in the 1978

general election) caused the shareholders to assume the risks associated with planning and constructing new plants until the plant is placed in service. In addition, the order stated that if a plant is not completed and is abandoned, the related costs would not be allowed for ratemaking purposes. The Company and its legal counsel do not agree with this interpretation of the ballot measure, and would contest vigorously any attempt to apply it to any projects abandoned prior to being placed in service.

NOTE 7. COMMITMENTS AND CONTINGENCIES

(a) Utility construction expenditures for 1980 are presently estimated at $300,000,000 to $325,000,000. Purchase commitments outstanding, relating principally to construction, totaled approximately $265,000,000 at December 31, 1979. Cancellation of the purchase commitments could result in substantial cancellation charges. Other substantial commitments have been made under long-term agreements to provide nuclear fuel for the Trojan nuclear plant and proposed additional nuclear plants and to provide coal for the Boardman coal plant. Such agreements may be terminated and would require payment of termination charges.

(b) The Company has entered into long-term power purchase contracts, expiring between 2005 and 2018, with certain public utility districts in the state of Washington. Power purchase prices are based on the Company's proportionate share of the operating and debt service costs of each project whether or not operable. Significant statistics regarding those hydroelectric projects are as follows:

	Rocky Reach	Priest Rapids	Wanapum	Wells
Revenue Bonds				
Amount sold to finance projects	$313,100,000	$166,000,000	$197,000,000	$207,600,000
Outstanding at December 31, 1979	$231,974,000	$112,248,000	$135,600,000	$192,200,000
Company's current share of output, capacity and cost				
Percentage of output	12.0%	17.1%*	21.9%*	30.5%*
Capacity in megawatts, based on nameplate rating	142	135	182	236
Estimated current annual cost, including debt service **	$ 2,600,000	$ 2,300,000	$ 3,000,000	$ 4,600,000
Completion date	1971	1961	1964	1969
Date of long-term contract expiration	2011	2005	2009	2018

*The Company's percentage of output of Priest Rapids and Wanapum may be reduced by August 31, 1983 to 13.9% and 18.7% and Wells may be reduced to 20.3% by 1988.

**Annual cost will change in proportion to the percentage of output allocated to the Company.

In 1979 the Company entered into a long-term power purchase contract, expiring in 2017, with the city of Portland, Oregon for 100% of the power from a hydroelectric project to be constructed. Power purchase prices cover the operating and debt service costs of the project whether or not operable. The city of Portland sold $38,000,000 of revenue bonds to finance the project. The Company will commence paying debt service costs in 1982.

(c) The minimum annual rental commitments of the Company under noncancelable leases at December 31, 1979 are as follows.

	Basic	Non-capitalized Financing Leases	Sublease Rentals (Credit)	Total
		(Thousands of Dollars)		
1980	$ 10,611	$ 5,993	$ (1,942)	$ 14,662
1981	9,752	5,832	(1,905)	13,679
1982	9,726	5,715	(1,896)	13,545
1983	9,638	5,476	(1,563)	13,551
1984	9,347	4,951	(928)	13,370
Remainder	250,622	64,898	(3,473)	312,047
Total	$299,696	$ 92,865	$ (11,707)	$380,854

During 1979 the Company entered into a sale/leaseback for its share of the coal handling facilities at the Boardman coal plant for a basic lease term of 25 years. The Company has an option to renew the lease for five years at one-half the average lease rate paid during the basic lease term and an additional fifteen years of renewal options at the then fair rental value. The Company has options, commencing in 1990, to repurchase the facilities for the greater of fair market value or a stipulated

lated loss value specified in the lease. The lease represents $68,731,000 of basic lease commitments.

During 1978 the Company entered into a sale/leaseback of its headquarters complex for a basic lease term of 40 years with up to 25 years of renewal options. The Company has options, commencing in 2003, to repurchase the complex for fair market value as encumbered by the lease. At the end of the basic lease term the Company must offer to purchase the complex for $15,000,000. A mortgage on the complex of $31,737,000 was assumed by the lessor and is guaranteed by the Company. This lease represents $196,608,000 of basic lease commitments and the $8,791,000 sublease rental credits, for a net rental commitment of $187,817,000.

Lease commitments on two combustion turbine leases, expiring in 1998 and 1999, represent $83,846,000 of non-capitalized financing leases. In the event of certain contingencies the Company may be required to purchase the turbines at a maximum price of $55,850,000 in 1980 and at decreasing amounts thereafter. At the expiration of each lease the Company has an option to renew the lease for five years at the then fair rental value or to purchase the turbines at the then fair market value.

Substantially all other leases with renewal options provide for negotiation of the rental amount at the time such options are exercised. Other leases with purchase options are not material.

In compliance with the reporting requirements of the Securities and Exchange Commission, certain leases presently accounted for as non-capitalized financing leases meet the criteria for classification and accounting as capital leases. If such leases had been accounted for as capital leases, assets would have increased by $46,587,000 and $44,764,000 and liabilities would have increased by $51,874,000 and $50,977,000 at December 31, 1978 and 1979. The resulting net increase in expenses would have been $1,030,000 in 1978 and $1,055,000 in 1979. For rate-making purposes these disclosures are not meaningful since these assets were not used by the Commissioner in determining rates charged to customers.

NOTE 8. SUPPLEMENTARY INCOME INFORMATION

	Years Ended December 31				
	1979	1978	1977	1976	1975
	(Thousands of Dollars)				
Taxes other than income taxes					
Property	**$15,798**	$17,322	$17,802	$15,897	$12,784
Payroll	**2,448**	1,904	1,645	1,306	1,061
City taxes and license fees	**5,340**	4,592	4,003	3,370	2,779
Other	**580**	462	501	399	333
Total	**$24,166**	$24,280	$23,951	$20,972	$16,957
Rentals charged to operating expenses					
Basic rentals*	**$ 2,455**	$ 2,659	$ 1,838	$ 1,231	$ 1,141
Contingent rentals**	**809**	726	429	159	160
Non-capitalized financing leases*	**5,526**	5,191	5,110	4,595	4,376
Total	**$ 8,790**	$ 8,576	$ 7,377	$ 5,985	$ 5,677
Depreciation and amortization					
Utility	**$33,642**	$31,587	$28,159	$22,112	$13,890
Nonutility	**—**	713	415	—	—
Amortization of nuclear fuel	**13,198**	2,708	10,974	2,596	—
Total	**$46,840**	$35,008	$39,548	$24,708	$13,890

*See Note 7(c) for details concerning the Company's long-term lease commitments.
**Based on kwh of gross generation at certain Company hydroelectric projects.

The amounts for maintenance and repairs, depreciation and taxes other than income taxes included in the Consolidated Statements of Income but not set out separately therein are not material. The amounts of amortization of intangible assets and advertising costs are not material.

NOTE 9. LITIGATION

In February 1979 the Company filed suit in United States District Court for the District of Oregon seeking to recover from Bechtel Corporation and Bechtel Power Corporation all costs incurred as a result of errors in the design of the Trojan plant's control building. The costs included excess replacement power costs of $26 million incurred during the shutdown of the plant during the second half of 1978 and an estimated $6.5 million for other expenses, including any necessary modifications to the plant.

In March 1979 Bechtel Corporation and Bechtel Power Corporation filed their answer to the complaint alleging numerous affirmative defenses and counterclaims of approximately $108 million. In the opinion of management and its legal counsel the counterclaims have little merit.

NOTE 10. SUBSEQUENT EVENTS

(a) The Public Utility Commissioner of Oregon granted the Company a general rate increase averaging 17.7% effective for service on and after January 14, 1980.

(b) During January 1980 the Company sold 4,000,000 additional shares of common stock for net proceeds of $53,340,000.

(c) During February 1980 the Company sold $55,000,000 of 13¼% first mortgage bonds due 2000.

NOTE 11. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following quarterly information is presented for 1979 and 1978. Variations in earnings information between quarters are primarily due to the seasonal nature of the Company's business.

	March 31	June 30	September 30	December 31
1979		(Thousands of Dollars)		
Operating revenues	$97,679	$81,081	$72,224	$98,997
Operating income	$30,214	$20,682	$15,794	$ (1,401)
Net income	$22,729	$17,134	$ 9,974	$ (3,715)
Income available for common stock	$19,260	$13,681	$ 6,520	$ (7,169)
Common stock				
Average shares outstanding	27,740,339	31,171,754	31,284,492	31,419,060
Earnings per share*	$.69	$.44	$.21	$(.23)
1978				
Operating revenues	$80,895	$71,449	$69,725	$81,609
Operating income	$30,184	$19,029	$19,885	$14,141
Income before cumulative effect of change in accounting policy	$20,699	$10,388	$12,051	$ 5,646
Net income	$28,544	$10,388	$12,051	$ 5,646
Income available for common stock	$24,990	$ 6,847	$ 8,511	$ 2,106
Common stock				
Average shares outstanding	22,285,373	24,676,933	25,898,094	25,979,510
Earnings per share*	$1.12**	$.28	$.33	$.08

*As a result of dilutive effect of shares issued during the period, quarterly earnings per share cannot be added to arrive at annual earnings per share.

**Includes the effect of the change in accounting policy relating to the recording of unbilled revenues ($.35 per share).

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have examined the consolidated balance sheets and statements of capitalization of Portland General Electric Company (an Oregon corporation) and subsidiaries as of December 31, 1979 and 1978, and the related consolidated statements of income, retained earnings and changes in financial position for each of the five years ended December 31, 1979. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Portland General Electric Company and subsidiaries as of December 31, 1979 and 1978 and the results of their operations and the changes in their financial position for each of the five years ended December 31, 1979 in conformity with generally accepted accounting principles, which, except for the change (with which we concur) in the method of recording revenues as described in Note 1 (Revenues), have been applied on a consistent basis.

Portland, Oregon,
February 15, 1980.

Arthur Andersen & Co.

Supplementary Information to Disclose the Effects of Changing Prices (Unaudited)

Financial statements presented in accordance with generally accepted accounting principles report historical costs which do not reflect the changing value of the dollar which occurs during periods of rapidly changing prices. Accordingly, such statements do not adequately measure the impact of inflation on business enterprises. In recognizing the need to assist readers of financial statements in assessing that impact, selected information on the effects of changing prices is presented.

Two methods of measuring the effects of changing prices are presented in the tables.

The first method provides data which has been adjusted for general price changes by using the Consumer Price Index for all Urban Consumers as a broad based measure of general inflationary effects. This method provides financial information in dollars of equivalent value (constant dollars).

The second method provides data reflecting the effects of changes in specific prices (current costs) by indexing the existing plant using the Handy-Whitman Index of Public Utility Construction Costs. This measure reflects the current cost of replacing existing plant, rather than the historical cost. Current cost amounts differ from constant dollar amounts to the extent that specific prices have increased more or less rapidly than prices in general.

Depreciation expense is the only item of the historical income statement which has been adjusted in arriving at constant dollar and current cost amounts of income. Revenues and other amounts are considered to reflect the average price levels for the year, and accordingly have not been adjusted.

STATEMENT OF INCOME FROM OPERATIONS ADJUSTED FOR CHANGING PRICES

For The Year Ended December 31, 1979

	Conventional Historical Cost	Constant Dollar Cost in Average 1979 Dollars	Current Dollar Cost in Average 1979 Dollars
		(Thousands of Dollars)	
Operating revenues	$349,981	$349,981	$349,981
Purchased power and production	144,633	144,633	144,633
Other operating and maintenance expenses	94,117	94,117	94,117
Depreciation expense	33,642	58,000	66,000
Income tax expense	12,300	12,300	12,300
Interest expense	80,452	80,452	80,452
Allowance for funds used during construction	(60,015)	(60,015)	(60,015)
Other income	(1,270)	(1,270)	(1,270)
	303,859	328,217	336,217
Income (excluding reduction to net recoverable cost)	$46,122	$21,764*	$13,764
Increase in specific prices (current cost) of plant, held during the year†			$233,000
Reduction to net recoverable cost		$(173,000)	(51,000)
Effect of increase in general price level			(347,000)
Excess of increase in general price level over increase in specific prices (after reduction to net recoverable cost)			(165,000)
Gain from decline in the dollar's purchasing power on net amounts owed		134,000	134,000
Net		$(39,000)	$(31,000)

*Including the reduction to net recoverable cost, the loss from operations on a constant dollar basis would have been $(151,236,000).

†At December 31, 1979, current cost of electric utility plant, net of accumulated depreciation, was $2,960,000,000 while historical cost (net cost recoverable through depreciation) was $1,658,797,000.

Depreciation was determined by applying the Company's actual depreciation rates to the corresponding constant dollar and current cost plant amounts.

No adjustments have been made to the income tax expense, to reduce the complexity of the supplementary information.

Under Public Utility Commissioner of Oregon (PUC) regulations, only the historical cost of plant is recoverable in revenues as depreciation. To reflect this limitation the current cost and constant dollar cost of plant which is not presently recoverable in rates as depreciation is shown as a "reduction to net recoverable cost".

To properly reflect the economics of PUC regulation, the reduction to net recoverable cost should be offset by the "gain from decline in the dollar's purchasing power on net amounts owed". Since only the historic cost of depreciation is recoverable, present depreciation provisions are inadequate to maintain the cash flows needed to replace plant. However this factor is offset by debt which will be repaid in dollars having less purchasing power. The "gain from decline in the dollar's purchasing power on net amounts owed" is primarily attributable to the substantial amount of debt which has been used to finance plant.

The following information should be viewed as an approximation rather than as a precise measure of changing prices.

SELECTED FINANCIAL DATA ADJUSTED FOR CHANGING PRICES

For The Years Ended December 31,	1979	1978	1977	1976	1975
	(Thousands of Average 1979 Dollars)				
Operating revenues	$349,981	$337,869	$303,130	$277,694	$242,676
Historical Cost Information Adjusted for General Inflation (Constant Dollar Information)					
Income from operations	$21,764				
Income per common share after preferred dividend requirement	$.26				
Net assets at year end	$522,000				
Historical Cost Information Adjusted for Changes in Specific Prices (Current Cost Information)					
Income from operations	$13,764				
Income per common share after preferred dividend requirement	0				
Excess of increase in general price level over increase in specific prices (after reduction to net recoverable cost)	$(165,000)				
Net assets at year end	$522,000				
General Information					
Gain from decline in the dollar's purchasing power on net amounts owed	$134,000				
Cash dividends declared per common share	$1.70	$1.89	$2.04	$2.09	$2.13
Market price per common share at year end	$12.29	$17.95	$22.63	$25.41	$21.57
Average Consumer Price Index	217.4	195.4	181.5	170.5	161.2

Portland General Electric Company and Subsidiaries

Eleven-Year Summary

		1979	1978
SALES AND CUSTOMERS	**Kilowatt-Hours Sold (millions)**		
	Residential	5,73.	5,365
	Commercial	3,711	3,403
	Industrial	3,585	3,251
	Miscellaneous	112	113
	Sales for resale	513	1,173
	Total	13,652	13,305
	Operating Revenues (thousands)		
	Residential	$159,135	$143,829
	Commercial	96,462	77,000
	Industrial	72,839	52,662
	Miscellaneous	9,414	12,107
	Sales for resale	12,131	18,080
	Total	$349,981	$303,678
	Average price per kwh (sales to ultimate customers)	2.54¢	2.30¢
	Customers (at year end)		
	Residential	423,389	407,056
	Commercial	54,029	52,107
	Industrial	184	187
	Miscellaneous	1,367	1,347
	Sales for resale	2	1
	Total	478,971	460,698
	Residential Service (average per customer)		
	Annual use (kilowatt-hours)	13,814	13,459
	Annual revenue	$383.54	$360.81
	Price per kilowatt-hour	2.78¢	2.68¢
ELECTRIC OPERATIONS	**Kilowatt-Hour Output (millions)**		
	Generated (net)—hydro	2,285	2,313
	Generated (net)—thermal	4,523	1,307
	Purchased—primarily hydro	7,754	10,819
		14,562	14,439
	Losses and company use	910	1,134
	Total Sales	13,652	13,305
	Average Cost per Kwh		
	Generated (exclusive of fixed costs)	1.12¢	.78¢
	Purchased	.97¢	.71¢
UTILITY PLANT	**Gross Additions (thousands)**	$254,289	$278,265
	Net Plant (thousands)	$1,658,797	$1,482,862
STOCKHOLDERS' EQUITY AND LONG-TERM DEBT (December 31)	**Common Stock Equity (thousands)**	$551,612	$478,759
	Book value per share	$17.55	$18.42
	Dividends paid per share	$1.70	$1.70
	Average shares outstanding	30,403,911	24,709,977
	Earnings per share	$1.06	$1.72
	Preferred Stock Equity (thousands)	$150,000	$151,500
	Dividend requirement (thousands)	$13,830	$14,175
	Embedded cost	9.1%	9.2%
	Long-Term Debt (thousands)	$754,441	$735,119
	Interest on debt (thousands)	$70,326	$58,206
	Embedded cost	9.3%	9.2%
EMPLOYEE DATA	**Number of Employees (December 31)**	2,789	2,579
	Operating Payroll (thousands)	$37,105	$31,631
	Construction and Other Payroll (thousands)	$25,183	$21,293

1977	1976	1975	1974	1973	1972	1971	1970	1969
5,120	5,024	4,982	4,700	4,685	4,624	4,414	4,023	3,895
3,175	3,045	3,169	2,632	2,649	2,509	2,235	2,086	1,941
3,486	3,439	2,699	3,364	3,285	3,135	2,788	2,524	2,340
109	107	104	106	113	119	134	141	137
44	394	530	600	829	1,781	1,391	930	1,251
11,934	12,009	11,484	11,402	11,561	12,168	10,962	9,704	9,564
$130,052	$109,571	$ 88,351	$ 73,124	$ 63,007	$ 57,142	$ 54,249	$ 45,206	$ 43,595
64,695	56,027	53,628	41,881	36,691	31,983	29,155	25,192	23,669
47,721	39,654	24,504	20,888	16,806	14,294	13,106	11,070	10,163
6,996	7,073	8,898	6,970	5,235	5,444	5,639	4,933	4,625
3,609	5,462	4,561	3,138	3,094	3,580	2,770	1,889	2,486
$253,073	$217,787	$179,942	$146,001	$124,833	$112,443	$104,919	$ 88,290	$ 84,538
2.08¢	1.80¢	1.55¢	1.29¢	1.11¢	1.02¢	1.04¢	.96¢	.97¢
389,700	371,315	358,438	347,671	338,188	323,729	318,132	304,504	295,003
49,883	47,071	45,547	44,143	41,521	40,373	38,076	36,919	36,040
192	192	187	199	188	186	164	147	149
1,444	1,367	1,370	1,397	1,047	1,125	1,906	1,949	1,947
2	3	3	1	5	2	1	1	2
441,221	419,948	405,545	393,411	380,949	365,415	358,279	343,520	333,141
13,455	13,787	14,139	13,733	14,144	14,334	14,197	13,427	13,472
$341.76	$300.68	$250.74	$213.67	$190.22	$177.14	$174.49	$150.87	$150.78
2.54¢	2.18¢	1.77¢	1.56¢	1.34¢	1.24¢	1.23¢	1.12¢	1.12¢
2,114	2,537	2,693	2,753	2,282	2,779	2,685	2,402	2,354
4,675	1,147	170	152	328	—	—	—	
5,936	9,214	9,613	9,465	9,806	10,463	9,265	8,189	8,012
12,725	12,898	12,476	12,370	12,416	13,242	11,950	10,591	10,366
791	889	992	968	855	1,074	988	887	802
11,934	12,009	11,484	11,402	11,561	12,168	10,962	9,704	9,564
.52¢	.46¢	.33¢	.39¢	.25¢	.10¢	.12¢	.08¢	.08¢
.68¢	.34¢	.43¢	.28¢	.31¢	.24¢	.24¢	.24¢	.24¢
$201,896	$191,475	$182,513	$153,580	$152,198	$110,431	$50,298	$34,555	$26,009
$1,245,532	$1,088,253	$946,165	$785,312	$668,336	$529,724	$430,474	$390,588	$364,148
$410,323	$361,070	$283,938	$241,965	$187,746	$182,823	$157,052	$132,579	$118,434
$18.45	$18.94	$18.32	$17.92	$17.88	$17.41	$16.53	$15.60	$14.99
$1.685	$1.625	$1.565	$1.51	$1.465	$1.41	$1.36	$1.28	$1.195
21,414,344	17,687,431	14,333,333	12,125,000	10,500,000	9,666,667	8,666,667	8,350,000	7,900,000
$1.09	$2.27	$2.52	$2.17	$2.04	$2.11	$2.00	$1.63	$1.79
$154,500	$130,500	$108,500	$80,000	$80,000	$40,000	$10,000	$10,000	—
$13,657	$11,812	$9,818	$6,577	$5,247	$2,196	$976	$152	—
9.2%	9.3%	9.1%	8.2%	8.2%	8.4%	9.8%	9.8%	—
$656,724	$533,450	$444,991	$335,344	$326,403	$277,669	$261,529	$244,178	$207,110
$48,528	$40,711	$28,519	$20,734	$18,591	$15,132	$13,667	$11,377	$9,903
8.3%	8.0%	8.1%	6.3%	6.2%	5.8%	5.6%	5.4%	4.7%
2,441	2,311	2,116	2,008	1,881	1,767	1,704	1,604	1,502
$27,808	$22,798	$18,498	$15,703	$13,982	$12,879	$12,151	$10,746	$9,925
$19,647	$18,564	$18,033	$14,493	$12,117	$10,039	$8,748	$7,443	$6,575

Portland General Electric Company

Market and Dividend Information

COMMON STOCK

The Company's common stock is principally traded on the New York Stock Exchange. The following table shows the high and low sales prices of the common stock on the composite tape (as reported by *The Wall Street Journal*) during the respective periods.

	1979				1978			
Quarter	1st	2nd	3rd	4th	1st	2nd	3rd	4th
High	18⅜	17⅞	17⅜	16¼	20⅜	19⅞	19⅝	19¼
Low	16¾	16⅛	15	13	18⅞	18	18⅜	16½

Quarterly cash dividends paid per share were at the rate of 42½¢ (January, April, July and October of 1978 and 1979).

PREFERRED STOCK

The 11.50% and $2.60 series of preferred stock are listed on the New York Stock Exchange. The following table shows the high and low sales prices of these two series on the composite tape (as reported by *The Wall Street Journal*) for the respective periods. The remaining five series are traded infrequently over the counter and disclosure of quarterly price ranges is not meaningful.

	1979				1978			
Quarter	1st	2nd	3rd	4th	1st	2nd	3rd	4th
$2.60 High	25½	25	25	23⅜	28¼	28	28	26⅞
Low	23¾	23½	23	19¼	27	26½	26	23⅝
11.50% High	106¾	104⅞	103	100⅛	111½	109¼	110¼	107¾
Low	100⅛	100¼	100	90¼	108	105¼	105	99¾

Quarterly cash dividends were paid on each class of the Company's preferred stock at its stated rate during 1978 and 1979.

TRANSFER AGENT and REGISTRAR

COMMON STOCK and PREFERRED STOCK
United States National Bank of Oregon
Stock Transfer Department
P.O. Box 3850
Portland, OR 97208
503-225-6474

Portland General Electric Company (Home Office)
121 S.W. Salmon Street
Portland, OR 97204
503-226-8333

NEW YORK STOCK EXCHANGE

Trading Symbol: PGN

A copy of Form 10-K including the financial statements and the schedules thereto is available without charge upon written request to Gavin F. Fale, Assistant Vice President—Finance, at the address below:

PORTLAND GENERAL
ELECTRIC COMPANY
121 S.W. Salmon Street,
Portland, Oregon 97204

SENIOR OFFICERS

Frank M. Warren
Chairman of the Board
& Chief Executive Officer

Robert H. Short
President

Joseph L. Williams
Executive Vice President

Glen E. Bredemeier
Vice President—Power Operations

James W. Durham
Vice President, General Counsel and Secretary

Ken L. Harrison
Vice President—Finance and Chief Financial Officer

Douglas E. Heider
Vice President—Public Affairs

Charles L. Heinrich
Vice President—Regulation, Data Services

William June
Vice President—Corporate Planning

William J. Lindblad
Vice President—Engineering/ Construction

Estes Snedecor
Vice President—Administration

F. D. Wieden
Vice President—Public Relations

E. F. Wildfong
Vice President—Division Operations

James N. Woodcock
Vice President and Treasurer

James L. Staines
Controller

BOARD OF DIRECTORS

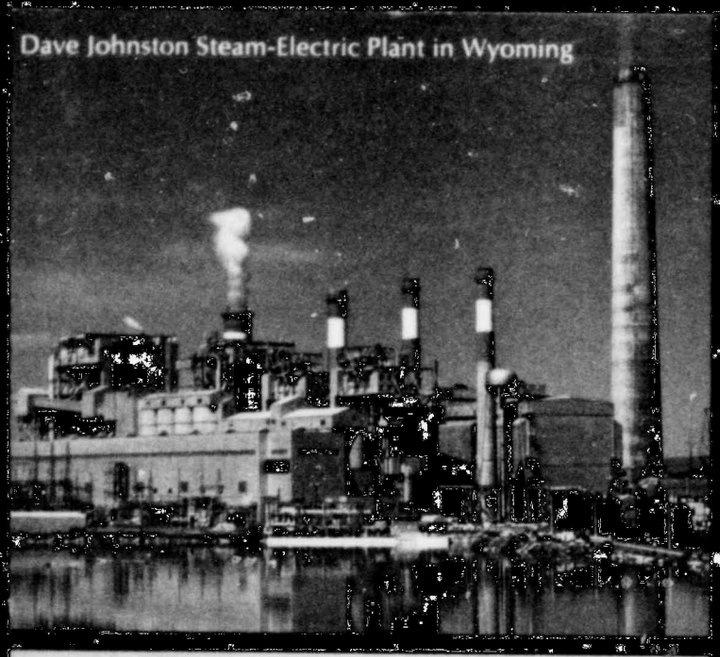
	Director since
Warren W. Braley Partner, Braley & Graham, Portland—Buick and Opel automobile dealer	1957
William E. Love Chairman and Chief Executive Officer, Equitable Savings & Loan Association, Portland	1977
Ernest H. Miller President, Mortgage Bancorporation, Salem—real estate loans and investments throughout Oregon	1963
Wade Newbegin* President and Chairman of the Board, R.M. Wade & Co., Portland—manufacturer and distributor of pumping, farm and irrigation equipment	1948
Robert W. Roth President and Chief Executive Officer, Jantzen Inc., Portland, a wholly owned subsidiary of Blue Bell, Inc.—manufacturer of sportswear and swimwear	1972
John L. Schwabe Partner, Schwabe, Williamson, Wyatt, Moore and Roberts Portland—attorneys	1977
Robert H. Short President, Portland General Electric Company, Portland—electric utility	1971
Eberly Thompson Portland—personal investments	1960
W. T. Triplett, Jr. Formerly President and Chief Executive Officer, Bazaar, Inc., Portland	1969
James J. Walton Consulting civil engineer, retired, Salem	1948
Earl Wantland President and Chief Executive Officer, Tektronix, Inc., Beaverton—manufacturer of electronic equipment	1973
Frank M. Warren Chairman of the Board and Chief Executive Officer, Portland General Electric Company, Portland—electric utility	1949
William W. Wessinger Chairman of the Board, Blitz-Weinhard Company, Portland, a wholly owned subsidiary of Pabst Brewing Co.	1968
Robert J. Wilhelm President, Wilhelm Trucking Co., Portland—trucking and warehousing	1973
Ralph E. Williams President, Williams Investment Co., Portland—personal investments	1963

Board of Directors, back row, left to right: F.M. Warren, J. L. Schwabe, R.W. Roth, W.E. Love, E. Wantland, R.H. Short, R.E. Williams and E.H. Miller.

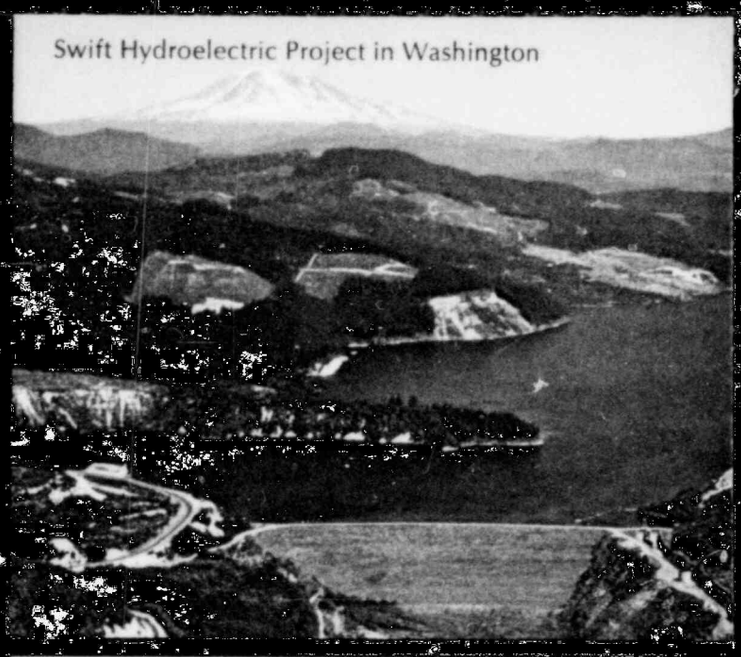
Front row, left to right: J.J. Walton, W.W. Braley, E. Thompson, W.T. Triplett, Jr., W.W. Wessinger, and R.J. Wilhelm. Not shown is W. Newbegin, Advisory Director.

*Mr. Newbegin transfered to Advisory Director status in September 1979 and continues to provide the Company valuable counsel and service in his new capacity.

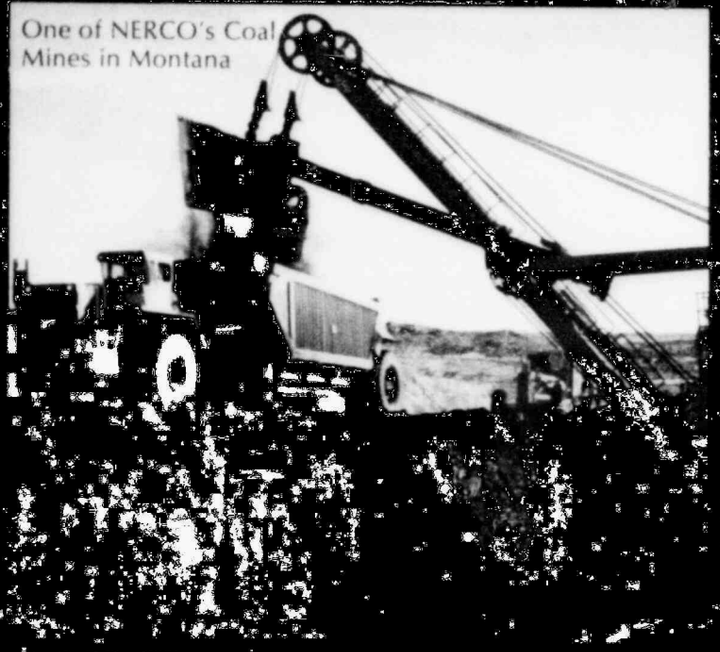
PGE 121 S.W. SALMON STREET/PORTLAND, OR 97204



Dave Johnston Steam-Electric Plant in Wyoming



Swift Hydroelectric Project in Washington



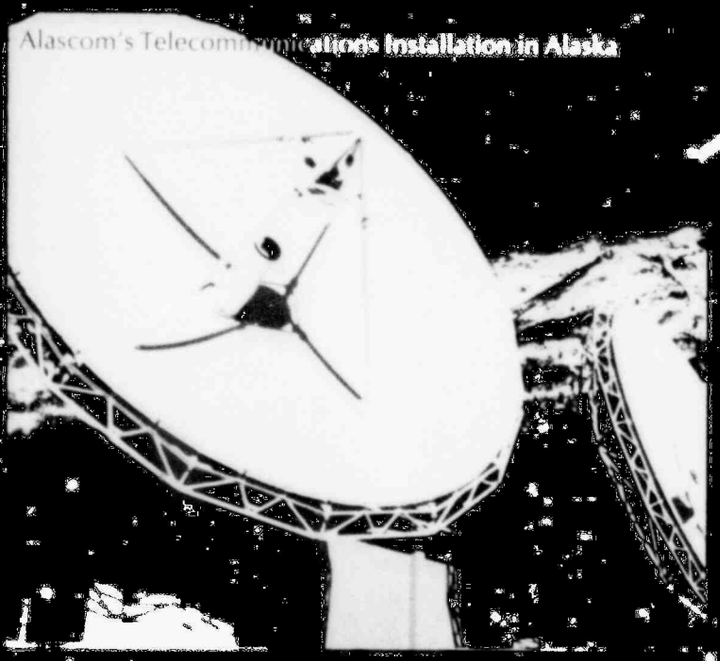
One of NERCO's Coal Mines in Montana

PACIFIC POWER & LIGHT COMPANY

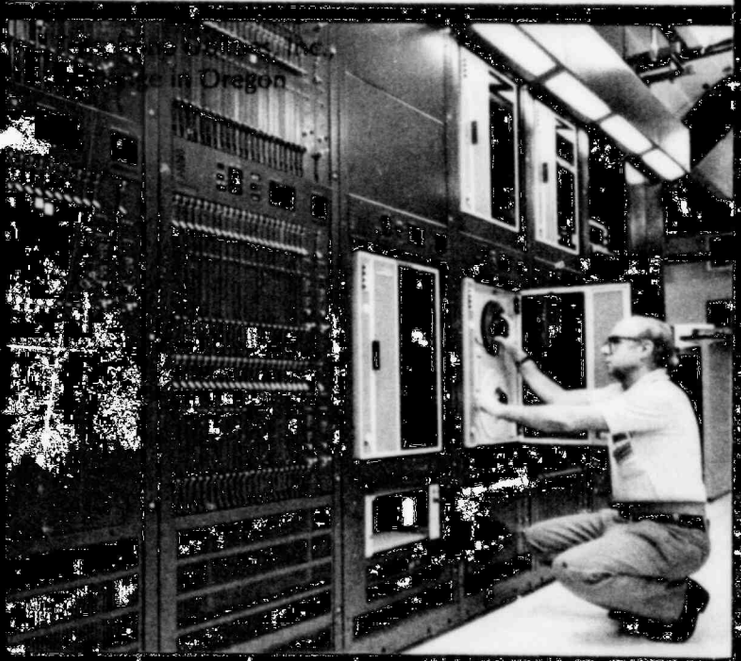
and consolidated subsidiaries

1979

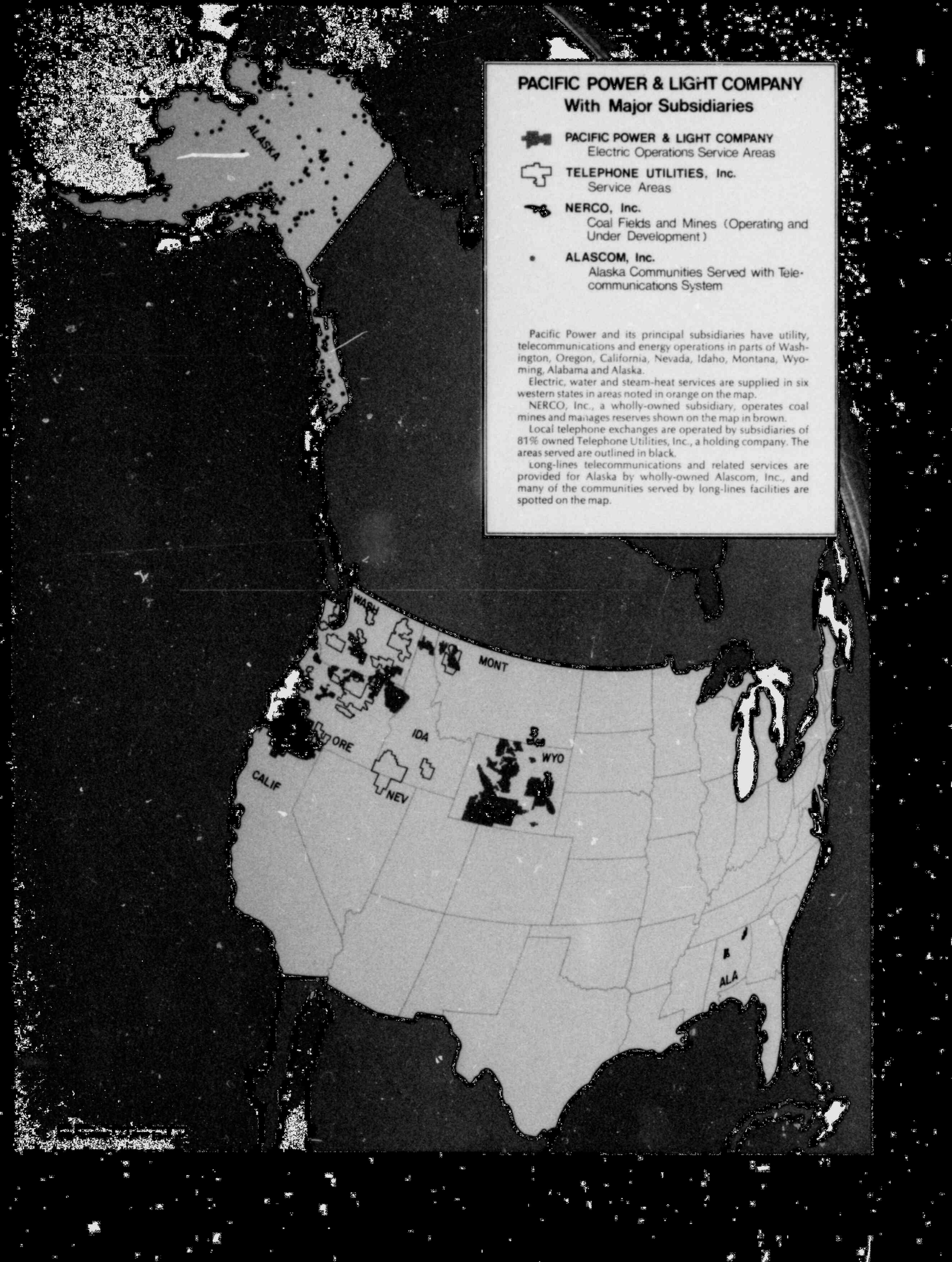
ANNUAL REPORT



Alascom's Telecommunications Installation in Alaska



[illegible] Inc.
[illegible] in Oregon



PACIFIC POWER & LIGHT COMPANY
With Major Subsidiaries

PACIFIC POWER & LIGHT COMPANY
Electric Operations Service Areas

TELEPHONE UTILITIES, Inc.
Service Areas

NERCO, Inc.
Coal Fields and Mines (Operating and Under Development)

ALASCOM, Inc.
Alaska Communities Served with Telecommunications System

Pacific Power and its principal subsidiaries have utility, telecommunications and energy operations in parts of Washington, Oregon, California, Nevada, Idaho, Montana, Wyoming, Alabama and Alaska.

Electric, water and steam-heat services are supplied in six western states in areas noted in orange on the map.

NERCO, Inc., a wholly-owned subsidiary, operates coal mines and manages reserves shown on the map in brown.

Local telephone exchanges are operated by subsidiaries of 81% owned Telephone Utilities, Inc., a holding company. The areas served are outlined in black.

Long-lines telecommunications and related services are provided for Alaska by wholly-owned Alascom, Inc., and many of the communities served by long-lines facilities are spotted on the map.