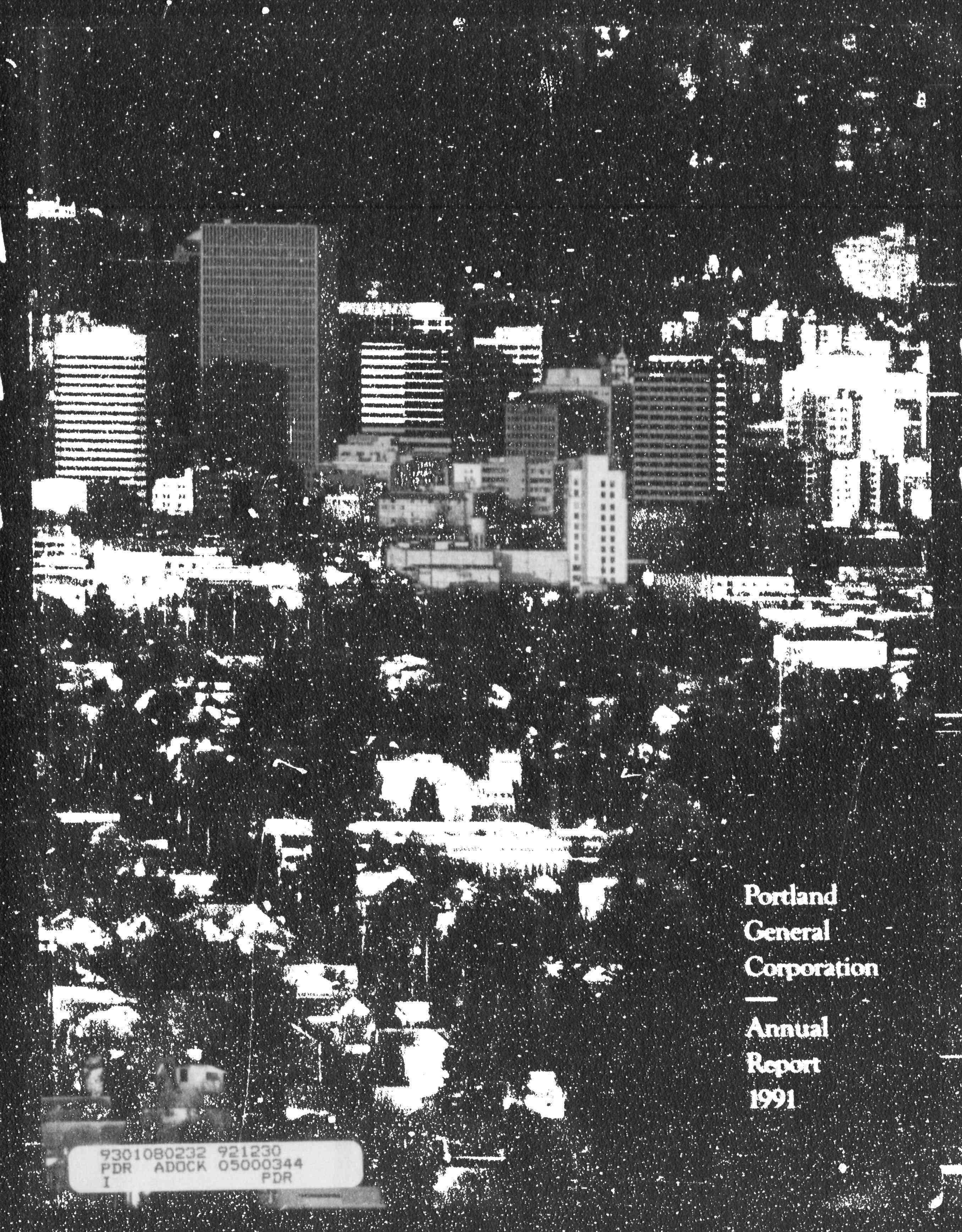
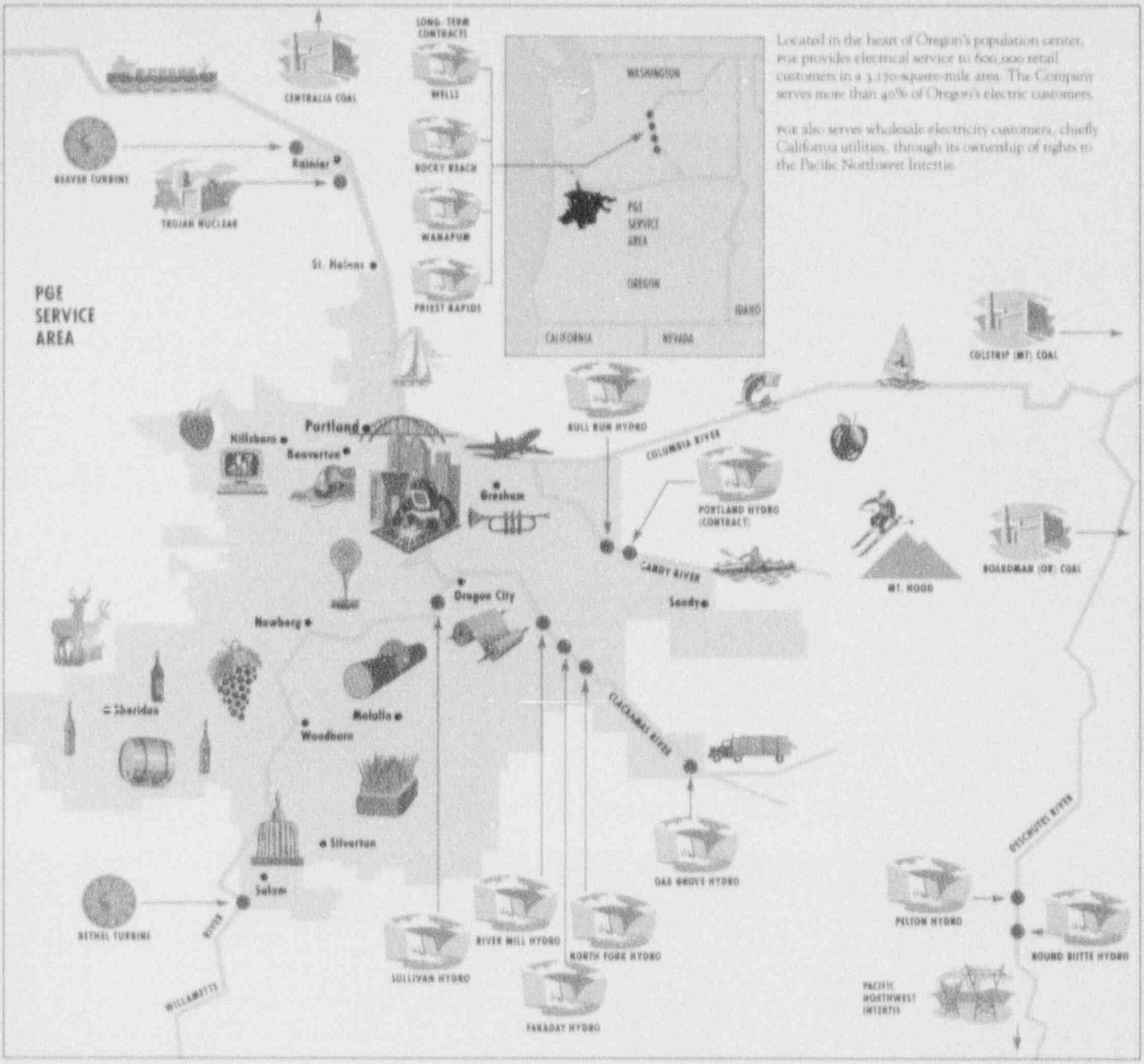


Portland General Corporation

—

Annual Report 1991



Corporate Profile Portland General Corp. (NYSE-PGN) is a holding company whose principal subsidiary is Portland General Electric Co. (PGE). PGE is a regulated electric utility serving more than 600,000 retail electricity customers in northwest Oregon as well as wholesale electricity customers, chiefly utilities in California. **Fundamental Strengths** Portland General's long-term goal is to provide consistent and growing earnings and dividends to shareholders by building on fundamental strengths: § An economically diverse, compact and growing utility service area: A favorable economic profile for the electric utility service area points to continuing investment opportunities at PGE. § Diverse, low-cost resources: We continue to make progress in asset productivity, reducing risks and costs of generation and reinvesting in the utility. § Valuable long distance transmission lines: We're able to buy and sell power to help us make the best use of our system and keep our prices competitive. § Business strategy aligned with public policy: Our commitment to environmental stewardship, energy efficiency and safety meets our stakeholders' expectations and helps us achieve our business goals. § Dedicated, hard-working employees: Our employees have qualities needed for success in the 1990s -- flexibility, customer-responsiveness, integrity, teamwork, cost-consciousness and community-mindedness. **Cover photo:** With its attractive downtown and waterfront, beautiful parks and neighborhoods, mountain scenery, recreation, low unemployment and good workforce, Portland ranks as one of the country's most livable cities.

Financial Highlights

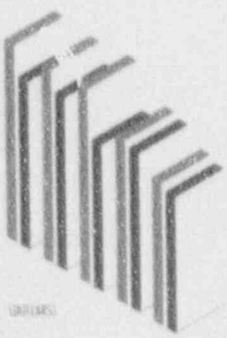
	1991	1990	% Increase (Decrease)
Operating revenues	$ 889,935,000	$ 852,105,000	4.4
Net operating income	$ 136,638,000	$ 176,457,000	(22.6)
Income (loss) from continuing operations	$ (20,698,000)	$ 99,952,000	NM
Net income (loss)	$ (49,867,000)	$ 99,952,000	NM
Earnings (loss) per average common share from continuing operations	$(0.43)	$2.17	NM
Earnings (loss) per average common share	$(1.06)	$2.17	NM
Dividends declared per common share	$ 1.20	$1.20	—
Cash flow dividend coverage ratio (times)	3.90	3.10	25.8
Book value per common share*	$15.25	$17.49	(12.8)
Return on average common equity*	(6.3)%	12.7%	NM
Net utility plant	$1,800,501,000	$1,778,723,000	1.2
Utility construction expenditures	$ 138,905,000	$ 109,116,000	27.3
Cash flow provided by operations	$ 216,656,000	$ 198,675,000	9.1
Internally generated cash as a percentage of utility construction	116%	123%	(5.7)
Pre-tax times interest earned	1.01	2.38	(57.6)
After-tax times interest earned	0.82	1.87	(56.1)
Kilowatt-hours sold (in thousands) to retail customers	15,715,000	15,564,000	1.0
Retail customers served at year-end	599,620	584,023	2.7
Average kilowatt-hours used per residential customer	12,582	12,496	0.7

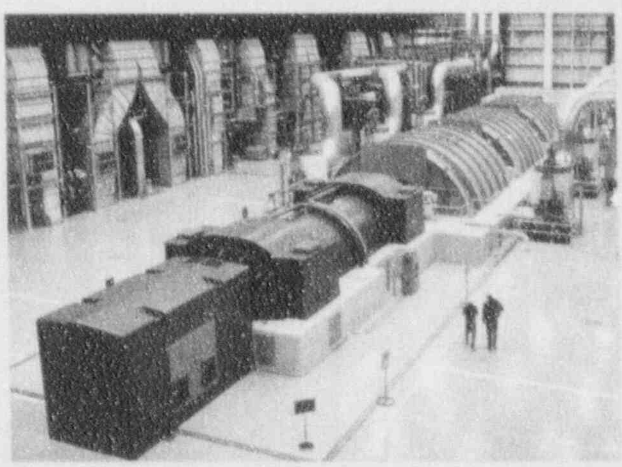
*Excludes contra-equity—Unearned Compensation.
NM—Not Meaningful.

1991 was a year in which a good decision had costly near-term implications and a prior bad investment required decisive action. These events resulted in a loss of $50 million for the year. Despite this disappointing near-term performance, the financial health of your Company remains strong. Importantly, we are confident that our dividend can be maintained. ¶ The decisions we made about our Trojan Nuclear Plant were the right ones, yet we suffered financially in the near term because of those decisions. During the yearly refueling outage we discovered previously undetected corrosion of the plant's steam generators. In addressing this new information, we were faced with a number of alternative courses of action. ¶ With the long-term outlook for Trojan depending on both operational excellence and public and regulatory confidence, we elected early on to continue a course that would build that confidence. Our conservative approach was costly in the near term, but absolutely essential for long-term credibility. To emerge from the shadow of uncertainty in which nuclear energy operates in Oregon, we must manage the plant in a manner beyond reproach. ¶ The wisdom of this cautious approach has been validated both by actions of our state and federal regulators and comments by news editorial boards. We received a favorable ruling from the Nuclear Regulatory Commission (NRC) Feb. 5, 1992 allowing the plant to return to operation. The Oregon Public Utility Commission (PUC) also gave us approval to collect excess replacement power costs, and PGE began collecting those costs Jan. 1, 1992. However, the unreimbursed excess costs resulting from the extended outage depressed 1991 operating income by $67 million. ¶ The Westinghouse steam generators, which were the root cause of this problem, were represented to be designed to last the full life of Trojan. With 20 years remaining in the original planned life, this problem should not be occurring. We have made it clear

Book Value and Market Value

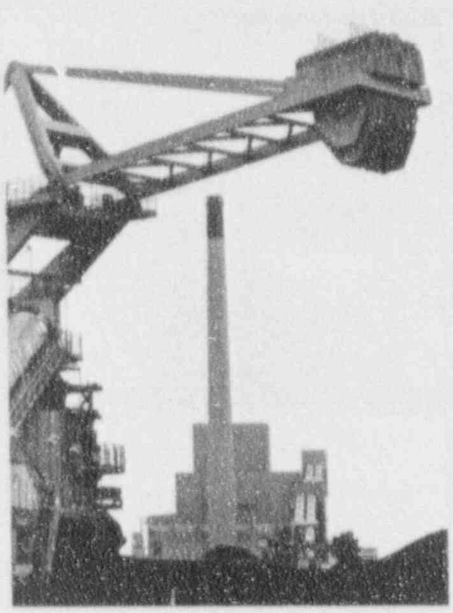
	'87	'88	'89	'90	'91
	21.25	21.00	21.38	18.00	15.88
	18.86	19.06	16.52	17.49	15.25





The 1.1 million-kilowatt Trojan Nuclear Plant's 210-foot-long turbine generates enough electricity to supply one-fourth of PGE's customers. The plant returned to service in March 1992.

"1991 was a year in which a good decision had costly near-term implications and a prior bad investment required decisive action."

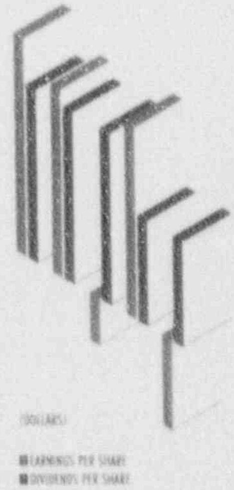


A huge stacker-reclaimer machine that loads and unloads coal frames the Boardman Plant powerhouse. Renegotiated coal and transportation agreements have made the plant more economical to run.

to Westinghouse that we believe they have both an ethical and legal responsibility for the near-term costs of the problem and the ultimate replacement of the steam generators, if necessary. Unless we see progress in current discussions with Westinghouse, we will initiate legal action. ¶ Underscoring the importance of public credibility, two independent "Close Trojan" ballot measure initiatives have been announced for the November 1992 election. This is the third election year in which we have faced such initiatives. Although we have won both prior ballot measures by significant margins, we will be prepared to defend vigorously the interests of our shareholders and customers. ¶ With an eye toward reducing the ever-present political uncertainty regarding Trojan, we agreed with the PUC to include an in-depth review of Trojan in our long-term energy resource plan. This plan, called the Least Cost Plan, entails substantial public and regulatory involvement and we believe will build a broader understanding of the role Trojan plays in PGE's and the region's long-term energy supply outlook. ¶ Two significant developments outside the utility hurt us in 1991: Our investment in Bonneville Pacific created an unfavorable earnings effect as well as a setback to our long-term plans for growth in the independent power business. This dramatic reversal of fortune at Bonneville Pacific in such a short time deserves explanation. ¶ On Jan. 22 a partial explanation was provided when our Portland General Holdings, Inc. subsidiary filed a lawsuit against the accounting firm Deloitte & Touche, the outside auditors for Bonneville Pacific, and against four Bonneville Pacific insiders. The suit alleges that in making the decision to invest in Bonneville Pacific we relied on a false and misleading portrayal of Bonneville Pacific's financial condition, business history and management abilities. This resulted from material misrepresentations and omissions by Deloitte & Touche and the Bonneville Pacific insiders we have sued. ¶ No matter what the reasons, our

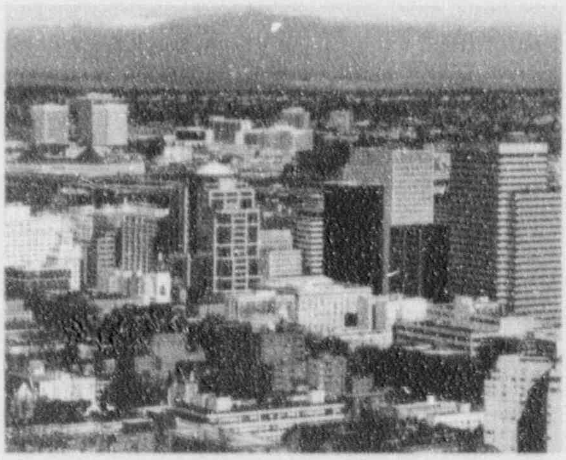
Earnings Per Average Common Share & Dividends Declared Per Share

	'87	'88	'89	'90	'91
Earnings per share	2.45	2.11	(.58)	2.17	(1.06)
Dividends per share	1.96	1.96	1.96	1.20	1.20



"The Least Cost Plan entails substantial public and regulatory involvement and we believe will build a broader understanding of the role Trojan plays in PGE's and the region's long-term energy supply outlook."

experience as an investor in Bonneville Pacific has been both costly and painful. My strong belief is that when confronted with such an issue it's best to face up to it, deal with it, and get on with business. We have done so. We will, of course, pursue every avenue of recovery for our investors and defend ourselves against third parties that maintain we were responsible for their investment losses. ¶ Broad industry and economic forces significantly reduced commercial real estate values across the country in 1991, making it necessary to add $29 million to our real estate reserves. As a part of our previously announced exit from real estate investments, we had no choice but to reflect these lower values. ¶ While the above-described events dominated our 1991 financial results, it is important to recognize the many successes and positive results achieved by your Company in 1991: § Cost containment measures, including a permanent employee reduction of approximately 300 positions, will lower future costs by approximately $14 million annually. § We have developed a sound working relationship with the PUC. Early in the year, it issued an order increasing rates to our customers by 3.4 percent, or about $27 million. It has also responded promptly and favorably to our request for recovery of the cost of replacement power during the extended outage and is considering our request for future rate coverage of some of the extra cost of the Trojan steam generator repairs. § Despite a national recession and slowdowns in some of Oregon's key economic sectors, our energy sales to retail customers rose by 2.1 percent over 1990 and we now serve over 600,000 customers. § The Company's hydroelectric, coal- and gas-fired generating units operated extremely well in 1991. Because of the Trojan outage, the Boardman and Beaver plants and their operating personnel were called on for record levels of output — and delivered. § The long Trojan outage in 1991 should allow us to operate the plant through the remainder of 1992 — until the spring of



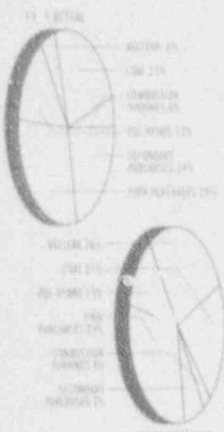
A city of human scale set in a diverse natural environment, Portland offers a quality of life that continues to attract new residents and businesses to the area.

"Despite a national recession and slowdowns in some of Oregon's key economic sectors, our energy sales to retail customers rose by 2.1 percent over 1990 and we now serve over 600,000 customers."

1993 — with only a brief economy shutdown during the peak hydro period, but without the usual refueling shutdown. This will contribute to earnings and reduce operating risks in 1992. Longer term, reducing the operating volatility associated with Trojan will be our single most important objective. ¶ In positioning the Company for the long term, we are increasingly looking for ways to align our business strategy with good public policy. Energy efficiency investments, which allow us to better serve customers while at the same time earning incentive returns for shareholders, are a good example of this. ¶ Another important way in which we hope to achieve this alignment is through the previously mentioned Least Cost planning process. This process encourages both public and regulatory input into our long-term resource plans, thus reducing the risk of unfavorable regulatory treatment of future resource decisions. ¶ We have previously reported to you the decision to concentrate solely on the electric utility business in the future. It is obvious that the results in our non-utility businesses have been unsatisfactory. In recognition of this and the other challenges immediately ahead of us, a "utility only" focus is the prudent course. ¶ PGE has attractive prospects for the future. We operate in what is expected to continue as one of the strongest economic regions of the country, have a diverse, low-cost resource base, competitive prices, and a dedicated, hardworking employee group. These attributes were overwhelmed by events in 1991. We have positioned ourselves to have them come to the fore in 1992 and beyond. ¶ Thank you for your support during these difficult times.

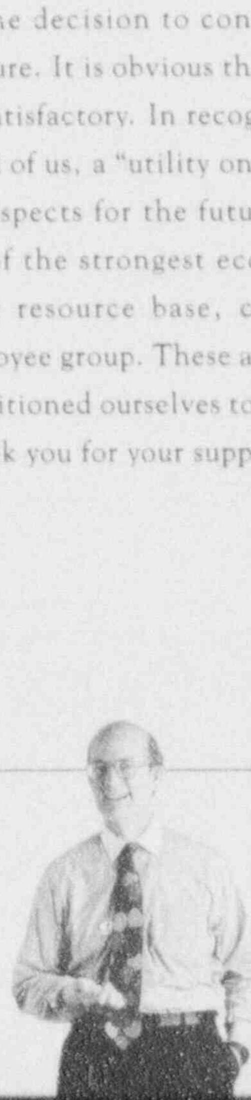
Lighting Technician Rick Gunder installs new energy-efficient light bulbs during a lighting retrofit to The Nature Conservancy offices. In 1991, PGE started 11 new energy efficiency programs for residential, commercial and industrial customers.

Sources of Electric Energy - PGE Net System Load
(Megawatt Hours)



Ken Harrison

Ken L. Harrison
Chairman and Chief Executive Officer
March 13, 1992



"We operate in what is expected to continue as one of the strongest economic regions of the country, have a diverse, low-cost resource base, competitive prices, and a dedicated, hardworking employee group."

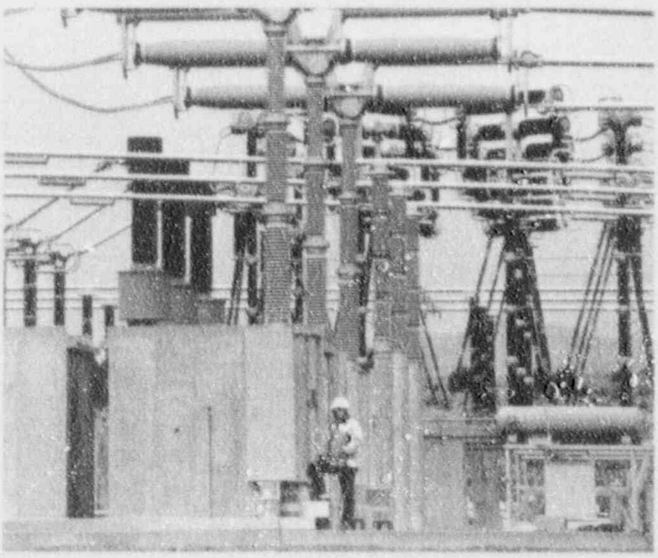
Advantage: A Strong Economy We are fortunate at Portland General. Not only because we like living and working in this part of the country so much. But because our quality of life, skilled workers and overall desirability as a place to live and work continue to attract growth and investment. ¶ While many jobs have been lost over the past year in the nation as a whole, employment is stable here. Despite a national recession, Oregon continues to fare better than the rest of the country. A growing and increasingly diverse industrial base — mostly concentrated in our area — includes construction, transportation equipment such as trucks, rail cars and ship repair, high technology, paper mills, printing and publishing. Oregon's strategic location on the Pacific Rim also points to increasing exports to the robust economies of Asia. ¶ **Where We Find Ourselves Today** We are an industry in transition. New legislative initiatives that could alter the industry, such as the proposed amendment of the Public Utility Holding Company Act of 1935 and open transmission access, are under consideration. Other changes in energy policy and technology have released competition into energy markets. We are not the only energy store in town anymore. In fact, it's becoming a regular energy mall out there, with new competitors opening shop all the time. ¶ The change that competition brings will come regardless of what we do. So we are prepared to respond to and even advocate change, where

The Port of Portland ranks second among West Coast ports in waterborne export tonnage. Its Pacific Rim location contributes to the increasing economic growth in PGE's service territory.

New competitors in electric markets are giving customers choices they're more accustomed to making in retail shops like these in Portland's trendy Northwest neighborhood.

Carol Klingele, Corporate Buyer. • Since 1990, Klingele has been converting the Company to recycled paper products. Recycled-paper envelopes alone save PGE around $25,000 each year. "By using recycled paper wherever possible, we keep more paper out of landfills and save trees as well as money."

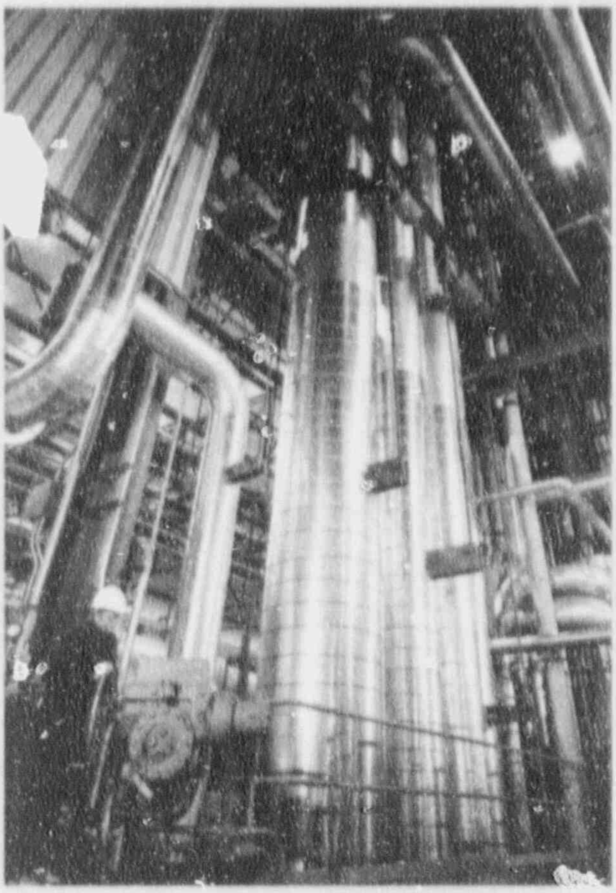
it makes sense. Better to lead than to be led, we believe. ¶ As in many competitive battles, the low-cost producer may win. Keeping costs low will test our competence. But today, consumers want more than low prices. They want quality and value. They also apply a new measure: environmental sensitivity. It will not help if you have the best prices and service, but you pollute your neighbor's backyard. This is doubly true in environmentally aware Oregon. ¶ Our regulators want different things, too. They want us to promote alternatives to building power plants. And they have shown their willingness to support our efforts to invest in ways to save energy. ¶ The utility's traditional role of meeting customer energy demand will continue. But the challenge will be to supply the energy our customers need, at the lowest cost and best service, and to do it while improving the environment. ¶ **Providing Value to Customers** Back in the old days, utilities theoretically didn't have to worry about their customers, since they were supposedly monopolies and consumers had no choice. These days, increasing competition compels smart companies to pay closer attention to their customers. ¶ We believe we've always provided good service. But we can't be complacent. We must provide superior service. ¶ Take reliability. It's about as basic as you can get: Utility customers expect the juice to be there when they need it. So, besides investing in the heart of our system — our generating plants — we're also investing in the arteries and veins — our transmission and distribution system. ¶ In 1991, we invested in projects aimed at maintaining and improving reliable and economic service to customers. We added new transformers and lines in growing residential and commercial areas. We beefed up equipment to serve many of our high-tech business customers, whose opera-



Leadman Wireman Glenn Price inspects the Grizzly Substation on the Pacific Northwest Intertie transmission line. Here, PGE recently installed a new 500-kilovolt circuit breaker for increased reliability.

Mel Eldridge, Field Representative, Energy Management. • *Eldridge helps residential and small commercial customers understand where their power goes and how to reduce usage if desired. He has also carried his message to television through the PGE-co-sponsored KGW-TV Earth Alert Campaign. "My mission is to help customers use energy wisely."*

tions require continuous, high-quality electrical service. ¶ We plan to continue improving our transmission and distribution system. The underlying philosophy: Reinvest in the business, maintain your facilities, and they will continue to provide a return on your investment. ¶ Moving indoors, another major project with an overall objective of bettering service involved nothing short of replacing the company's 25-year-old customer information computer system. When fully installed in 1994, the new system will help us respond more quickly to customers' needs into the next century, with better information, and do it more cheaply. ¶ **Increasing Cost Competitiveness** All this talk of improved service probably has some people running to their calculators. At what cost? ¶ The fact is, service can't be improved without considering cost. For competitive reasons, we can't simply send our prices through the roof. The trick is figuring out what really benefits customers. ¶ For example, we've saved $2 million a year by taking a more efficient approach to answering customer telephone calls. We even tried some projects that would have been considered *unthinkable* a few years ago. We're working with the local gas distribution company to save costs by sharing trenches. Makes sense. But nobody tried it until we did. ¶ We reduced our workforce by about 10 percent in 1991, about 40 percent of which were management positions. The program will save PGE about $14 million a year in permanent labor savings. ¶ **Trojan: Doing the Right Thing** Three years ago, Ken Harri-



PGE operates and owns a 65 percent share of the 530-megawatt Boardman Coal Plant, located 160 miles east of Portland. The plant ran for 10 months in 1991 compared with four months in 1990.

Dianna Boursaw, Commitment Management Clerk. • Boursaw manages a database "tickler system" for Trojan managers, reviewing communications with regulatory agencies to make sure Trojan commitments are met on time. "Keeping commitments on track helps maintain positive regulatory relations and enhances nuclear safety."

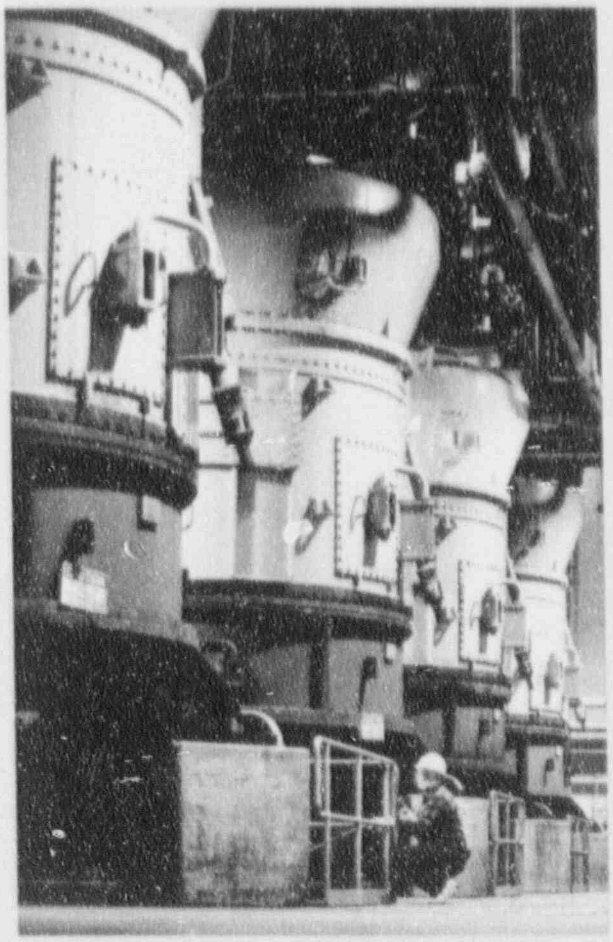
Trojan's commitment to safety requires control room operators like Dieryel Wade to participate in regular training in the control room simulator, an exact replica of Trojan's control room.

son said we'd turn Trojan into one of the best nuclear power plants in the nation. We didn't expect miracles overnight. And in 1991, PGE really had to put its money where its mouth is. Major components of a nuclear plant, steam generators are giant heat exchangers, like car radiators, that turn heat energy from the nuclear reactor into steam to drive the turbine that creates electricity. During each annual maintenance outage, PGE has inspected the steam generators and found some deterioration in the tubes. The rate of deterioration wasn't alarming, and the tubes in question were plugged, or taken out of service. ¶ But starting three years ago, we noticed increased rates of deterioration, slight at first, then much greater in 1991, including some previously undetected types of corrosion. We followed the most conservative route, taking them out of service or repairing them with sleeves fitted inside the tubes. ¶ In December, PGE asked the NRC to allow it to restart the plant. The NRC agreed, setting the stage for plant start-up in March. ¶ **What's Next: The Least Cost Plan** Getting the plant running in 1992 solved a short-term problem. But other issues are on the horizon. We expect to face two ballot measures in November aimed at closing Trojan. And for the long term, we may have to decide whether to replace the steam generators, currently estimated to cost PGE up to $135 million. Is it in the best interests of our customers and shareholders to invest further in Tro-

Gary Wachs, Trojan Training Specialist, runs the control room simulator during a week-long training session required of all operators six times yearly. Using binoculars, he monitors the activity.

Don Loney, Working Foreman, Meter Services. • *When his boss told him to run the department "like it was his own business," Loney implemented time-, cost- and paperwork-saving measures. "A lot of little things can add up to make a big difference."*

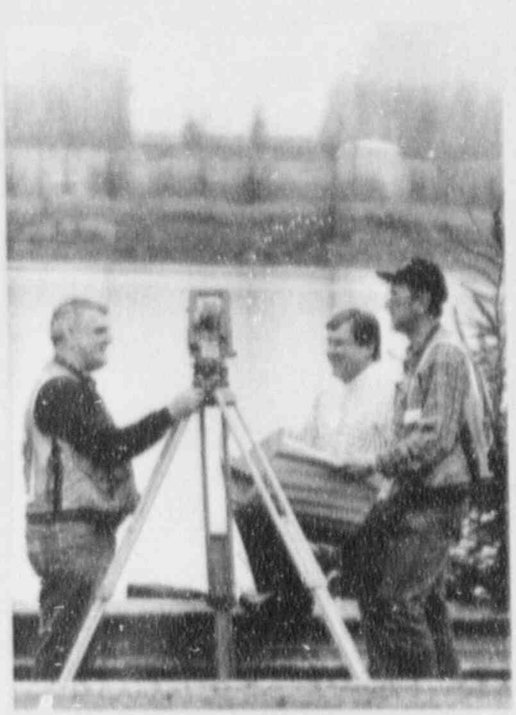
jan? Would it make better sense to invest in other resources? ¶ These are some of the questions being asked in the two-year update to our 20-year Least Cost Plan. The plans, mandated for all regulated energy utilities in Oregon, require utilities to involve the public in their resource decisions. The planning process, started in November 1991, is expected to conclude with a final plan to the Oregon PUC by October. Its conclusions should help the Company make informed choices about Trojan's future in a rational, less political atmosphere. ¶ **Generation: Reducing the Risks** Make the power system as reliable, efficient and productive as possible. Make prudent investments in new resources. Make them flexible, low cost, environmentally benign and diversified. Reduce current and future risks. ¶ That summarizes PGE's philosophy as it looks out over the planning horizon for new power resources. Our power plants are the engine of the utility. We must make smart decisions about current and future resources if we're to succeed. ¶ We start with our current resources. PGE has built one of the most diverse power bases in the country. We've got a good mix of our own hydro plants, coal, combustion turbines, nuclear and long-term contracts, chiefly hydropower. ¶ At the rate we're growing, however, we'll need additional capacity to meet peaking needs by 1995 or 1996. Our first step is to make our existing plants more reliable and productive. ¶ Possibly our biggest achievement over the last two years has been the transformation of our 530-



Laverne Boylan, Boardman Coal Plant Equipment Operator, checks a hopper under one of Boardman's eight coal pulverizers. Boardman set new production records in 1991.

Doug Averill, Manager, Information Systems. • Averill was instrumental in bringing PGE together with two other Northwest utilities to develop a new customer information system, pooling resources and dividing the cost. "Collaborating gives us a new way to complete large projects more quickly and less expensively."

megawatt Boardman Coal Plant from a high-cos' tly idle resource to a low-cost lable producer. Renegotiate coal and rail transportation agreements in 1990, as well as improved operations in 1991, have made Boardman one of PGE's most productive plants. It's also one of the cleanest in the west; so the Clean Air Act Amendments of 1990 will have no effect on operations through the 1990s. After this time, under more stringent requirements, we expect to have a strategy in place to continue to operate Boardman as a competitive, baseload plant. ¶ Our 534-mw Beaver combined cycle combustion plant gives us the greatest flexibility to meet peak needs. And with construction starting on a 17-mile, $15 million pipeline to connect Beaver with an interstate pipeline, Beaver's fuel cost and availability will get even better. ¶ On the rivers, many of our hydro plants were built just after the turn of the century and are as dependable as Swiss watches. We boosted their production by 1.5 megawatts in 1991 and expect increased generating capacity this year. ¶ **Resources for the Future** Cost-effective hydro, co-generation and renewables like wind, geothermal and solar are potential new sources of energy. We are spending research and development dollars with the Electric Power Research Institute and Oregon State University to study these alternatives and ready ourselves for when renewable energy becomes more cost-effective. ¶ For now, energy efficiency is our most environmentally sound



PGE Land Agent Wes Waldron (center), and Rowland Randt (left) and Fred Wichert (right) of Trigon Engineering, Denver, Colo., survey the 17-mile Beaver Pipeline's route under the Columbia River. The pipeline will ensure a more reliable and economical fuel supply.

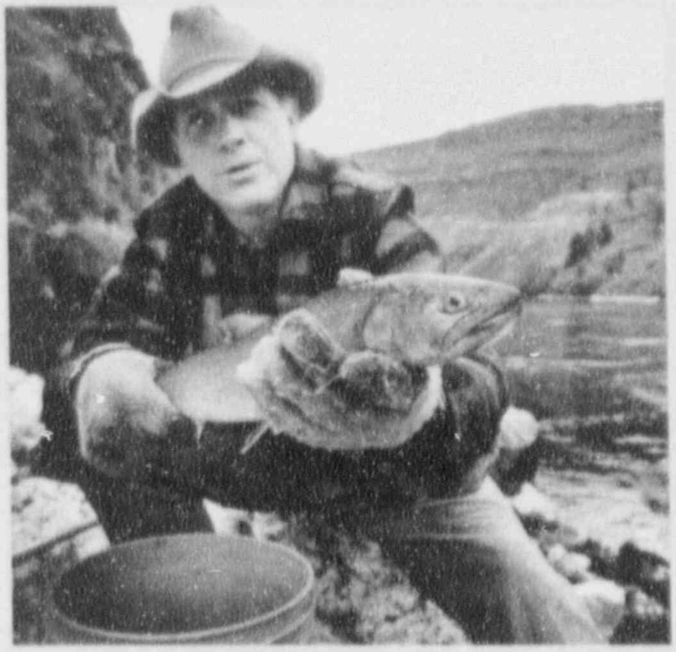
Dan Rodakowski, Service Technician, installs energy-efficient lighting through PGE's Commercial Lighting Program. Energy efficiency is PGE's most environmentally sound new resource.

Cam Van Kim, Analyst, Information Resources, and Janet Chapman, Specialist, Human Resources Information Systems. • Chapman and Kim played key roles in implementing the new Human Resources payroll system. "The system is designed to function more flexibly in meeting corporate needs while reducing the Company's operation and maintenance costs."

resource. We aggressively marketed energy savings in homes, offices and industry in 1991, saving 5,000 average kilowatts — enough energy to power nearly 3,500 homes. We hope to meet at least one-fourth of our new electrical demand over the next 20 years through energy efficiency. Ten percent of capital spending in 1992 will be on energy efficiency. ¶ PGE's increased emphasis on energy efficiency responds to the changing values of society. It's also good business. We now earn an incentive return on our investment in successful energy efficiency installations. In fact, PGE earned $1.5 million on its energy efficiency installed in 1991. ¶ With continuing growth expected, we will need additional resources to meet our future peak requirements. So we are examining ways to "shave the peaks" off energy use. These steps may help defer the need to acquire expensive peak capacity. ¶ Even with all the focus on energy efficiency, however, we expect to need additional power capacity in three or four years. We may buy it or build it, with gas turbines being the most likely source. Either way, we will look to acquire new resources in small chunks, for greater flexibility. And we will continue to use our least-cost planning process as a forum for gaining regulatory and public support for our resource decisions *before* we build. ¶ **The Environment** We live in an environmental age, and in a state recognized for its environmental leadership. For PGE, environmental stewardship is more than a matter of complying with the law. It is a key competitive strategy that can improve earnings, reduce operating and financial risks and enhance credibility with our constituents. ¶ PGE's understanding of these principles resulted in the adoption of a corporate environmental policy in early 1991. The policy asserts our commitment to

Community Resources Specialist Lynda Tatum teaches West Sylvan Middle School eighth-graders about energy efficiency. Through the Energy Smarts program, the Portland students were given high-performance showerheads and learned to conduct an energy audit of their homes.

Randy Nicolay, Inspector, Facilities Management. • *Nicolay has played an active role in setting up PGE's paper, cardboard and wood recycling and waste reduction programs. "We inherited our world from our fathers, but now we're borrowing it from future generations. We need to pay the interest."*



Don Ratliff, PGE Biologist at the Pelton-Round Butte project, gets ready to tag a bull trout, now listed as a sensitive species. Ratliff's efforts to restore the bull trout were recognized in 1991 by the Oregon Department of Fish and Wildlife.

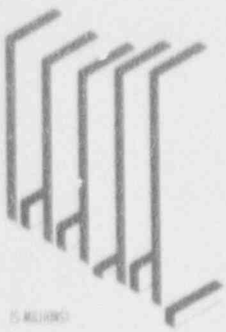
minimizing waste in Company operations, minimizing environmental risk and taking the lead in promoting energy efficiency. ¶ PGE employees spent the rest of 1991 putting the policy to work. In one close-to-home example, we cut energy use in our own facilities. A lighting retrofit at our downtown Portland headquarters alone saved $150,000 in annual lighting costs. ¶ PGE managers are incorporating environmental sensitivity into their everyday decisions. For example, when we discovered ecologically sensitive areas along the proposed route of a new pipeline to our Beaver plant, we changed the route. On the same project, we plan to tunnel under the Columbia River rather than lay pipe along the river bottom and possibly obstruct migrating salmon. ¶ We made environmental action part of our annual employee incentive program. Employees responded enthusiastically with projects ranging from paper, wood and metal recycling to reducing or even eliminating hazardous materials. ¶ We have consistently supported regional efforts to save endangered species of wild salmon in the Columbia and Snake rivers. Hydroelectric projects have been a part of the problem, and their operators — along with other river users — should be a part of the solution. While there likely will be power reductions on the federal hydro system, the overall net effect on PGE should be minimal, due to our relatively diverse portfolio of power resources.

Don Ratliff uses a spotting scope to count mule deer wintering at Lake Billy Chinook above Round Butte Dam. The deer use the lake as a water source during dry periods.

Jeff Wong, Lead Computer Specialist, Information Processing. • Wong helped choose and install a system to automate 24-hour computer operations, resulting in more efficient and cost-effective service for the Company. "I believe in challenging myself to work faster and better while keeping up with research and supporting others."

Operating Revenue and Net Income (Loss)

'87	'88	'89	'90	'91
761	756	797	852	890
113	97	(27)	100	(50)



($ MILLIONS)

OPERATING REVENUES
NET INCOME (LOSS)

RESULTS OF OPERATIONS **Overview** Portland General showed substantially lower operating results in 1991 due to increased costs associated with an extended outage of the Trojan Nuclear Plant and work-force reductions, coupled with losses from Portland General's nonutility businesses. The performance of Portland General Electric Company (PGE), Portland General's principal subsidiary, was adversely affected by Trojan being out of service for most of the year while extensive work was performed on the steam generator tubes. Severance costs related to a work-force reduction also contributed to lower earnings but will allow for lower labor costs in future years. Portland General's nonutility businesses, under Portland General Holdings, Inc. (Holdings), incurred substantial losses related to investments in Bonneville Pacific Corporation, an independent power producer. In addition, the poor market for commercial real estate depressed market values and resulted in additional reserves taken for discontinued real estate operations. ¶ There were, however, bright spots. PGE's service area continued to grow despite the national economic recession, adding the second largest number of new customers in the past decade. The Oregon Public Utility Commission (PUC) granted PGE a temporary price increase to recover a portion of the excess power costs incurred during the Trojan outage. An extended spring runoff provided abundant hydropower, holding down the cost of replacement power. PGE's other generating plants operated well. Lower-cost coal and natural gas supplies obtained in the past few years contributed to their economical operation, which also helped hold down the cost of replacement power. **Loss Incurred** In 1991, Portland General incurred a loss of $50 million, or $(1.06) per common share. In 1990, earnings were $100 million, or $2.17 per common share, including a one-time gain from a regulatory settlement. In 1989, Portland General sustained a net loss of $27 million, or $(.58) per share. The loss resulted from the establishment of reserves for pending rate matters and the discontinuance of real estate operations. **Trojan Outage Impacts Results of Continuing Operations** Excluding the effects of losses related to independent power investments, 1991 income from continuing operations would have been $53 million as compared with $84 million, adjusted for a regulatory gain in 1990. PGE incurred substantially higher power costs and maintenance expenses during the Trojan outage. ¶ PRIOR YEARS — Income from continuing operations for 1990, excluding the regulatory gain, would have been $84 million compared with $74 million in 1989, excluding a reserve for rate matters. Record energy sales due to economic growth and unusual weather and the improved performance of PGE's power plants were the main reasons for the 1990 earnings increase. **Operating Revenues Increased** Utility operating revenues increased $41 million, or 4.8%, over 1990 due to higher prices for electricity. ¶ Retail revenues increased $31 million, or 4.3%, over 1990 primarily due to a 3.4% price increase that went into effect February 5, 1991. The price increase was granted by the PUC to cover higher operating costs. Additional revenues were also granted to cover higher depreciation and decommissioning provisions for Trojan. This was PGE's

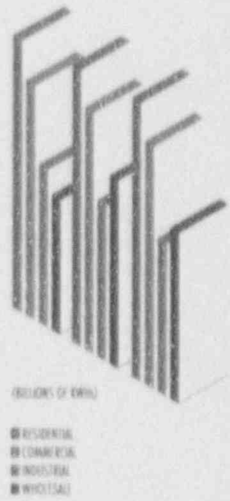
Tammy Miguel, Community Resources Clerk, Karen Rierson, Central Region Manager, Distribution, and Chris Sirpless, Procurement Systems Specialist. • As auction chairperson, Rierson led a team of employee volunteers in raising $23,000 to benefit Salvation Army's White Shield Home for teen mothers. "A meaningful goal helps volunteers pull together into a productive and successful team."

first general price increase since 1984. ¶ The retail revenue increase also included accrued revenues recorded after the PUC granted PGE a temporary price increase on December 11, 1991. PGE is allowed to recover 90% of its excess power costs from November 1, 1991, until Trojan returned to service in early March 1992. Revenue collections started on January 1, 1992, with commercial and industrial rates increasing 4.8% and residential rates increasing 0.6%. PGE has the option of requesting a lower collection rate if its actual excess power costs are less than were anticipated in its initial request. The additional revenues are subject to refund, pending a PUC review of actual excess power costs incurred and PGE's earnings for the 12-month period ending March 31, 1992. The PUC review is expected to be completed by mid-1992. ¶ Kilowatt-hours (KWH) sold to retail customers increased slightly over 1990 due to a 3.0% increase in customers. 1991 was a normal weather year while 1990 had unusually high usage by customers due to a hot summer and an arctic storm in December. ¶ Wholesale revenues increased $10 million over 1990 primarily due to additional revenues from capacity charges, including a long-term sales contract with the Western Area Power Administration (WAPA) that started in October 1990. WAPA is a federal power agency located in California. Capacity charges represent the fixed portion of wholesale contract revenues. ¶ Wholesale kwh sales declined 7.8%. Demand from wholesale customers decreased because most of the thermal generating plants in California and Arizona were in operation and California experienced a cooler summer in 1991. ¶ **PRIOR YEARS** — PGE's retail revenues increased $32 million in 1990 over 1989 due to a 4.4% rise in retail energy consumption. Higher kwh sales were primarily attributed to a continuing strong economy in the region. Both 1990 and 1989 revenues were favorably affected by weather conditions that drove customer electricity usage above normal levels. ¶ PGE's 1990 wholesale revenues increased by $29 million or 31% over 1989. Wholesale kwh sales were up 43% because of a strong market created by thermal plant outages in neighboring states during the winter and spring. Surplus hydropower early in 1990 allowed PGE to make additional energy sales to California utilities.

Variable Power Costs Rose PGE's variable power costs for 1991 rose 13% compared with 1990, primarily due to increased power purchases and fuel costs. PGE purchased power and increased production from its other thermal plants while Trojan was out of service. The variable costs of coal- and gas-fired generating plants are higher than the variable cost of running Trojan. Trojan was taken off-line on March 4, 1991, for its annual refueling and maintenance outage and remained out of service for the rest of the year. In 1990, Trojan's maintenance and refueling outage lasted from March 19 to July 14. ¶ Purchased power increased by 15% over 1990. PGE was able to purchase 13% more power from other sources due to the abundance of surplus hydropower in the region. Cool weather in the spring extended the annual runoff about two months longer than usual. ¶ Fuel costs were up 7% when compared with 1990. Trojan's 5 mill per kwh cost (10 mills = 1 cent) was replaced by higher fuel

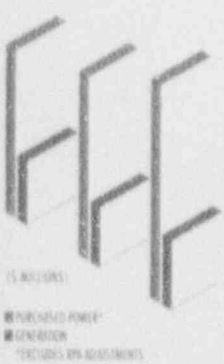
PGE Sales Growth

'89	'90	'91
6.2	6.4	6.5
5.2	5.5	5.6
3.5	3.6	3.6
3.0	4.3	3.9



Variable Power Costs

'89	'90	'91
179	197	233
66	63	67



Mike Rouse, Supervisor, World Trade Center Construction and Maintenance. • Rouse managed the World Trade Center lighting retrofit project. The first of its kind in the Portland area, it reduces energy costs by more than half. "Improved lighting quality and reliability are also essential components."

costs of the Boardman Coal Plant and Beaver Combustion Turbine Plant which operated at increased capacity factors during 1991. Boardman ran for ten months of 1991 at an average variable cost of 13 mills per kwh compared with four months at 16 mills per kwh in 1990. The average variable cost of running Beaver declined from 17 mills to 15 mills. PGE also received 15% more generation from the Colstrip Coal Plant. ¶ **PRIOR YEARS** — PGE's variable power costs in 1990 increased by 12% compared with 1989 to meet increased demand in both the retail and wholesale markets.

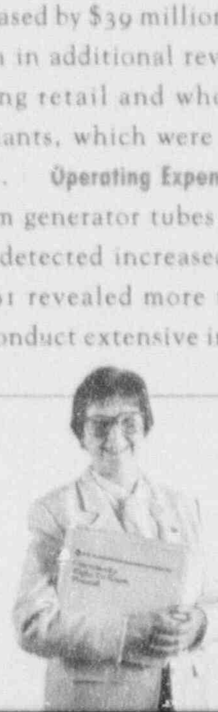
PGE Revenue and Variable Power Cost Analysis

For the Years Ending December 31 (Millions of Dollars)

		1991 v 1990			1990 v 1989		
	1991	Price Change	Quantity Change	1990	Price Change	Quantity Change	1989
Retail Revenues	$ 82.	$ 30	$ 8	$ 783	$ (8)	$ 33	$ 758
RPA Adjustment*	(66)	(4)	(3)	(59)	7	—	(66)
Wholesale	131	17	(7)	121	(1)	30	92
Total Revenues	886	43	(2)	845	(2)	63	784
Purchased Power	209	9	23	177	(18)	33	162
RPA Adjustment*	(73)	(11)	(3)	(59)	7	—	(66)
Wheeling	24	—	4	20	(13)	16	17
Fuel	67	14	(10)	63	(4)	1	66
Variable Power	227	12	14	201	(28)	50	179
Gross Margin	$ 659	$ 31	$ (16)	$ 644	$ 26	$ 13	$ 605

*RPA Adjustment represents purchased power credits received from BPA. Benefits are passed to PGE's residential and farm customers through lower prices.

Twenty percent more power was purchased at a 9% lower average price per kwh. PGE benefitted from the lower costs of a new 20-year transmission agreement with the Bonneville Power Administration (BPA). In addition, PGE's 1990 fuel costs declined 5% while its plants generated slightly more electricity than in 1989. **Higher Margins** PGE's 1991 gross margin (revenues less variable power costs) was $15 million higher than 1990 primarily due to increased retail prices. This price change was granted by the PUC to cover programs to improve efficiency and safety at Trojan and increased provisions for depreciation and nuclear decommissioning. ¶ **PRIOR YEARS** — PGE's 1990 gross margin increased by $39 million over 1989. A strong demand for electricity contributed $61 million in additional revenues while variable power costs increased $22 million. The strong retail and wholesale demand was met by the improved performance of PGE's plants, which were able to reduce the average variable cost of generated power by 6%. **Operating Expenses Sharply Higher** Extensive inspection and repairs of Trojan's steam generator tubes led to higher operations and maintenance costs in 1991. PGE had detected increased tube degradation since 1989, but routine inspections during 1991 revealed more tube degradation than in past years. As a result, PGE decided to conduct extensive inspection and testing, which exposed a type

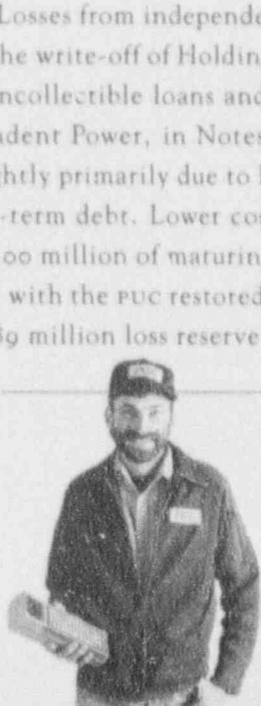


Lolita Carter, Environmental Scientist. • Carter has worked to increase the Company's awareness of waste streams and waste management issues. Single-handedly, she compiled PGE's first employee waste disposal handbook. "It's in the Company's best interests to have minimal impact on the environment."

of degradation not previously identified. Tubes with "microflaws" (ie. microscopic cracks and corrosion) were plugged (taken out of service) or had sleeves inserted. PGE capitalized the sleeving work, but the inspections, testing, analysis, and repairs were charged to maintenance. PGE has asked the PUC to allow it to recover certain extra nuclear expenses incurred during the Trojan outage. A PUC decision is expected by mid-1992. ¶ The 1991 production, distribution and maintenance expenses increased 28% over 1990 primarily due to a $35 million increase in nuclear operations and maintenance expenses. In addition to the steam generator tube work, nuclear operations and maintenance expenses included activities related to replacement of electrical penetration seals in the containment structure and enhanced fire protection throughout the plant. ¶ Administrative and other expenses rose 18% in comparison with 1990 mainly due to $13 million in severance costs associated with a program that eliminated 300 positions. Other contributing factors included increased health and medical benefit costs. ¶ Depreciation and decommissioning expense increased 24% compared with 1990. PGE, with the approval of the PUC, made a technical change in straight-line depreciation to the remaining-life technique for the Trojan Plant and increased its estimate for decommissioning Trojan in 2011 from $117 million to $488 million. These changes are reflected in the new retail prices, effective February 5, 1991. PGE increased its depreciation expense by $14 million per year and its annual provision for Trojan decommissioning from $2 million to $11 million. The annual provision for decommissioning will increase every five years using a modified sinking fund method. ¶ Income tax expense decreased 39% in 1991 because of lower earnings. Income tax expense had increased in 1990 because of higher taxable income and $4 million in adjustments to income tax provisions. ¶ **PRIOR YEARS** — PGE's production and distribution expenses stabilized in 1990 after a significant increase in 1989. Fixed power costs increased by $2 million, or 3%, in 1990. Nuclear operating expenses increased 8% in 1990, while operating costs associated with other types of PGE generating resources decreased as the company's cost containment measures took effect. ¶ Maintenance expenses decreased 3% in 1990 compared with 1989, primarily due to an 8% decrease in maintenance costs at Trojan. ¶ Taxes other than income taxes rose by 5% in 1990 over 1989 primarily due to increased payroll taxes. **Other Income and Deductions** Losses from independent power totaled $74 million, after tax, in 1991. This included the write-off of Holdings' equity investment in Bonneville Pacific and a provision for uncollectible loans and other costs. For further details, see Note 3, Loss from Independent Power, in Notes to the Financial Statements. ¶ Interest expense declined slightly primarily due to lower interest rates, which allowed for the issuance of new long-term debt. Lower cost debt was issued to pay down short-term debt and to pay off $100 million of maturing first mortgage bonds. ¶ **PRIOR YEARS** — A regulatory settlement with the PUC restored $16 million to 1990 income. In 1989, PGE had established an $89 million loss reserve for an unfavorable outcome on three con-

Nuclear Operations & Maintenance

'88	'89	'90	'91
16	26	24	56
34	43	46	49



Russ Hickman, Customer Service Representative, Field Operations. • Hickman helped improve meter reader productivity by designing "team reading" routes as well as streamlining office procedures. "Company reorganization led to creative ideas for more efficient work distribution through a teamwork approach."

tested rate matters. Subsequently, PGE and the PUC reached a settlement that resolved two of the issues. ¶ Other income declined in 1990 due to contributions to the campaign opposing the ballot measure initiative that would have shut down Trojan. **Additional Reserve for Discontinued Real Estate** Portland General reviewed the adequacy of the $12 million reserve established at year-end 1989 and determined that an additional reserve was warranted. A loss of $29 million was recorded in the fourth quarter of 1991 to recognize lower market values and additional holding costs. The commercial real estate market has softened in the last year due to the combined effects of a weakening market and more restrictive bank lending policies. See Note 2, Real Estate — Discontinued Operations, in Notes to the Financial Statements for further details. **Outlook** FOCUS ON ELECTRIC UTILITY — Portland General will focus exclusively on its core electric utility business, PGE. A substantial portion of Portland General's nonutility interests will be phased out over the next few years. Divestiture of these businesses is not expected to have a material adverse effect on the future operating results of Portland General. ¶ CUSTOMER AND LOAD GROWTH — PGE's service area has been experiencing continuing growth despite an economic recession in other regions of the country. PGE's metropolitan service territory has had a relatively stable economy and has not felt the full impact of this recession. ¶ PGE added another 14,000 residential customers to its system during 1991, the second largest annual increase in a decade. PGE's service area has seen minimal effects of the downturn in the timber industry, which has significantly affected more rural areas of Oregon. However, paper mills, among the largest of PGE's industrial customers, have been experiencing a decrease in demand resulting in reduced energy consumption. The decrease in usage from these customers has been offset by the increased electricity used by new residential and commercial customers. ¶ PGE's weather-adjusted retail energy sales in 1991 were 2.1% greater than in 1990. The retail load growth is estimated to be 2.8% in 1992. ¶ POWER COSTS — In 1992, PGE expects power costs to be lower than in 1991 with Trojan returning to operation. PGE is planning a short maintenance outage for Trojan with no refueling in 1992. As a result, PGE estimates that its plants will generate 50% to 55% of its power requirements in 1992 compared with 41% in 1991 and 48% in 1990. ¶ PGE has recently negotiated three- to seven-year contracts to purchase 400 megawatts of capacity from BPA and two other Pacific Northwest suppliers. These contracts replaced a 250-megawatt contract with BPA that expired in October 1991. The price of power in these contracts is significantly higher than the price under the expired contract. ¶ PGE's reserve margin (the amount of resource capacity in excess of customer demand) is narrowing as loads continue to grow in its service territory. It is projected that, under certain scenarios, load/resource balance could occur in the next five years. As part of its Least-Cost Planning process, PGE is evaluating various options to serve the increasing demand from customers, including energy efficiency measures, purchases of surplus power from other suppliers,

Annual Increase in Residential Customers

* 1984 ADJUSTED FOR SALE OF SERVICE TERRITORY

Martin Nyiendo, Engineer, Distribution. • Nyiendo coordinates an emergency response and maintenance contract with Tektronix, one of PGE's biggest commercial customers. "The line crew, general foreman and I have established a very cordial relationship with Tektronix, to both companies' benefit."

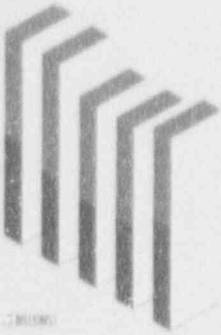
and additional combustion turbine units. Some of the options under study are likely to be more expensive than existing power supplies. PGE plans to file its draft Least-Cost Plan with the PUC in August 1992. The final plan is expected to be submitted in October 1992. ¶ Future power costs may be affected by the reduced availability of hydropower in the region. The National Marine Fisheries Service has declared certain species of salmon on the Snake River as threatened or endangered. Proposals to restore these salmon runs include measures to increase the river flows on the Snake and lower Columbia rivers during the spring to allow juvenile salmon to reach the Pacific Ocean faster, resulting in less water available for power generation in the fall and winter months. Although PGE's hydro projects are not located on these rivers, the costs of secondary purchased power will likely increase throughout the region during low-water years. ¶ **OPERATIONS AND MAINTENANCE** — Trojan is scheduled for a short outage in 1992, and PGE expects maintenance expenses to be lower than those experienced in 1991 (see graph on page 17). Overall, total nuclear expenses are not expected to increase at the growing rate of recent years when PGE implemented new safety programs and regulatory requirements. However, any unplanned outages at Trojan may increase nuclear expenses and adversely affect earnings. ¶ Labor costs are expected to be lower in 1992 as benefits from the 1991 work-force reduction program are realized. ¶ **UNCERTAINTIES** — Two initiative petitions are being circulated that would prohibit the operation of Trojan until specific conditions are met, including the licensing of a permanent radioactive waste disposal site. If enough valid signatures are collected, these initiatives will appear on the ballot in the November 1992 general election. PGE believes that passage of either measure could result in the indefinite shutdown of Trojan. Oregon voters rejected similar ballot measures in 1990 and 1986. ¶ Portland General and Holdings are defendants in two class action lawsuits filed by investors in Bonneville Pacific. The suits allege violations of securities laws and negligent misrepresentation. Portland General and Holdings will strongly contest these actions. In a related matter, Holdings has filed suit against Deloitte & Touche and certain individuals associated with Bonneville Pacific for misrepresenting the financial condition of Bonneville Pacific. Holdings, a 46% common stockholder and noteholder in Bonneville Pacific, is seeking $228 million in damages. ¶ **NEW ACCOUNTING STANDARDS** — Statement of Financial Accounting Standards (SFAS) No. 107, Disclosure of Market Value of Financial Instruments, effective with year-end 1992 reporting, will require additional disclosures on receivables, payables, refundable deposits, loan commitments and guarantees, bonds, common and preferred stock, etc. ¶ In addition, SFAS No. 109, Accounting for Income Taxes, sets forth new guidelines which will significantly change current practices related to accounting for income taxes. The new standard supercedes SFAS No. 96 and is to become effective in 1993. ¶ Portland General will adopt the new standards as they become effective and does not expect a material impact on its future operating results and financial condition.

Dick Barrett and Steve Nickoloff, Repair Dispatchers. • The link between customers and repair crews, Repair Dispatch provides 24-hour customer support to deal with service problems. "Restoring service as quickly and safely as possible is our number-one goal."

CAPITAL RESOURCES AND LIQUIDITY ***Portland General Corporation*** Portla.,d General, an electric utility holding company, was organized to provide organizational and financial separation between its utility business, PGE, and its nonutility businesses held under Holdings. The nonutility businesses include leasing, independent power and real estate. ¶ Portland General requires cash to pay dividends to its common stockholders, to provide funds to its subsidiaries, to meet debt service obligations and for day to day operations. Sources of cash are dividends from PGE, its principal subsidiary, asset sales and leasing rentals from its nonutility businesses, short- and intermediate-term borrowings and the sale of its common stock. **Cash Inflows** Portland General received $58 million in dividends from PGE in 1991. ¶ Borrowing activities by Portland General increased in the last year. In order to minimize its cost of capital, Portland General utilized a $50 million commercial paper facility established in October 1991 backed by a $50 million committed bank line. It also issued $50 million of notes with maturities between two-and-a-half and five years. In mid-1991, Portland General began issuing new shares of common stock under its Dividend Reinvestment and Optional Cash Payment Plan (Plan). Before then, shares of stock under the Plan had been purchased on the open market. Proceeds from the issuance of stock are expected to raise additional equity capital of $8 to $10 million annually for general corporate purposes. ¶ Cash flows from PGE common dividend payments, property sales, tax benefits, lease rentals of nonutility businesses and borrowings are expected to meet Portland General's cash needs in 1992. **Cash Outflows** Portland General's dividend payments in 1991 were $9 million lower than in 1990 due to a reduction in the common dividend, effective with the April 1990 payment. The dividend reduction provided Portland General funds to replenish common equity and to finance future capital programs. ¶ In 1991, Portland General provided $50 million to Holdings for its nonutility businesses, primarily independent pcwer invcstments, and expects to provide $20 to $30 million in 1992 to retire maturing debt. Portland General's 1992 debt service obligation is expected to be met by asset sales, tax benefits and lease rentals from Holdings' nonutility businesses and borrowing arrangements at Portland General. ¶ The commercial paper facility is used, along with bank lines, to fund day to day operating cash requirements. As of December 31, 1991, Portland General had $19.4 million of commercial paper outstanding. ¶ Portland General has a stock repurchase program under which it may, at its option, repurchase up to 3.3 million shares of its common stock. To date, no purchases have been made. ***Portland General Electric Company*** **Operations** Cash flow from operations is PGE's primary source of cash to meet its day to day operating needs and to fund its construction program. PGE also obtains cash from short-, intermediate-, and long-term borrowings. ¶ Cash flow from PGE operations rose by $43 million in 1991 compared with 1990, despite a $48 million drop in net income. The increase in 1991 cash flow is primarily the result of a $27 million retail revenue increase, effective

Capitalization

'87	'88	'89	'90	'91
.9	.9	.7	.8	.7
.1	.2	.2	.2	.2
.9	.8	.8	.8	.9

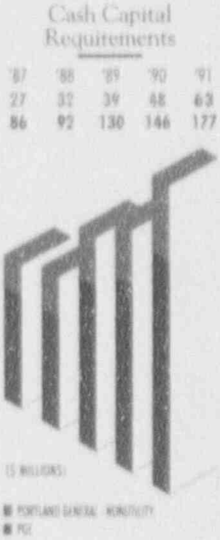


Cash Flow Dividend Coverage Ratio

'87	'88	'89	'90	'91
1.8	2.7	2.2	3.1	3.9

Tom Rak, Electrical Engineering Supervisor, and Lee Kelly, Supervisor, Planning and Scheduling, Trojan. • Rak and Kelly developed a cost-saving method of accurately testing motor-operated valves, which are critical in nuclear safety systems. "We felt compelled to find a more cost-effective and reliable way of increasing the plant's safety margin."

February 5, 1991. A significant portion of the cash from operations comes from depreciation and amortization of utility plant, charges which are recovered in customer revenues but require no current cash outlay. Operating cash flow in 1992 is expected to be essentially unchanged from 1991. ¶ Future cash requirements may be affected by the ultimate outcome of the IRS audit of PGE's 1985 WNP-3 abandonment loss deduction. The IRS has completed its field work portion of the audit of Portland General and PGE federal income tax returns for the years 1985 to 1987 and has sent a notice disallowing PGE's WNP-3 abandonment loss deduction. On December 31, 1991, PGE filed a protest with the IRS. See Note 5, Income Taxes, in Notes to the Financial Statements for further details. ¶ In addition, PGE, as a "potentially responsible party," is involved in environmental clean up of PCB contaminants at various sites. The total cost of clean up is presently estimated at $23 million of which PGE's share would be about $2 million. Should the eventual outcome of these uncertainties result in additional cash requirements, PGE expects internally generated cash flows and/or external borrowings to be sufficient to satisfy such obligations. **Investing Activities** PGE invests in facilities for generation, transmission, and distribution of electric energy and for energy efficiency improvements. In 1991, PGE's capital expenditures of $148 million were as follows: 29% generation, 43% transmission and distribution, 14% nuclear fuel and 14% general plant and other. PGE's expenditures included the purchase of $20 million in fabrication services for nuclear fuel and $10 million of sleeving costs related to the work performed on Trojan steam generator tubes. ¶ PGE's 1992-1993 construction program is estimated at $150 million for each year. The 1992 construction program includes $13 million for the completion of the $15 million project to build a natural gas pipeline to the Beaver Combustion Turbine Plant. The pipeline will improve transmission availability for natural gas to the plant. The program also includes $7 million for the current year's portion of a $12 million project to build a third intertie to California. The intertie project is expected to be completed in 1993 and will increase PGE's capacity for selling wholesale energy in that major market. Other planned capital expenditures include $16 million for energy efficiency, which includes new construction, lighting and appliances. Energy efficiency is a part of the Least-Cost Plan. The PUC has authorized a return on PGE's investment in energy efficiency projects, which will help alleviate the need for additional energy resources to support future customer growth. ¶ As part of its updated Least-Cost Plan, to be submitted to the PUC in the fall of 1992, PGE will examine future investment and operating costs at Trojan, including the replacement of the steam generators. PGE estimates that replacement of the steam generators would cost $125 to $200 million, of which PGE's share is 67.5%. PGE does not now know if it will be necessary to replace this equipment and does not anticipate making that decision before submitting its updated Least-Cost Plan. ¶ In March 1991, PGE began funding an external trust for the costs of Trojan decommissioning. As of

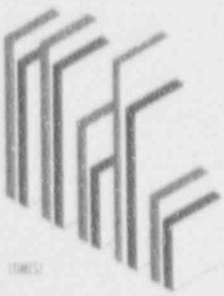


Ted Bancroft, Supervisor, Distribution Information Systems. • *By implementing innovative approaches to mapping for line crews, Bancroft helped the Company save more than $50,000 last year. "Cooperation between people and departments is cost-effective through pooling both resources and ideas."*

December 31, 1991, PGE contributed $19 million to the fund and expects to contribute $11 million in 1992. ¶ Internally generated cash flows provided substantially all of PGE's capital requirements in 1991 and 1990 and 74% in 1989, after paying dividends. Internally generated cash flows are expected to meet substantially all of PGE's capital requirements in 1992. **Financing Activities** PGE finances its capital requirements through short-, intermediate-, and long-term debt and preferred stock. Short-term debt, which includes commercial paper and lines of credit, is used for day-to-day operations. Intermediate- and long-term debt and equity are used to fund PGE's capital requirements. The maturities of intermediate and long-term debt are chosen to match expected asset lives and maintain a balanced maturity schedule. ¶ The cost of debt declined during 1991. As a result, PGE focused on refunding existing and maturing high-coupon debt. On August 12, 1991, PGE issued $104 million of First Mortgage Bonds with maturities ranging from three to 30 years. PGE used the proceeds to redeem $100 million of maturing debentures on October 1, 1991 and other maturing debt obligations. ¶ To take advantage of the continuing decline in interest rates, PGE issued $63 million of First Mortgage Bonds on January 13, 1992. Proceeds from this issuance were used to refund, at a premium, the $41.3 million, 9.80% Series and the $19.3 million, 9⅞% Series First Mortgage Bonds. ¶ PGE's Board of Directors omitted the April and July 1990 quarterly common stock dividends it would have paid to Portland General, thereby increasing common equity and cash flow. PGE resumed paying common stock dividends to Portland General in October 1990 at a rate adequate to pay the dividend on Portland General common stock. ¶ The issuance of additional preferred stock and First Mortgage Bonds requires PGE to meet earnings coverage and security provisions set forth in the Articles of Incorporation and the Indenture securing its First Mortgage Bonds. As of December 31, 1991, PGE could issue $145 million of preferred stock and $260 million of additional First Mortgage Bonds. ¶ CREDIT RATINGS On October 22, 1991, Standard and Poor's lowered its ratings on PGE's senior secured debt, senior unsecured debt and preferred stock, and commercial paper to A−, BBB+, and A-2, respectively. These ratings were affirmed on November 12, 1991 with the announcement of Holdings' write-off of the equity investment in Bonneville Pacific. ¶ Duff & Phelps continues to rate PGE's first mortgage bonds, debentures and unsecured debt, and preferred stock at A, A−, and A−, respectively. Moody's Investors Service, Inc. rates PGE's securities A3, Baa1, and baa1 for the respective securities. However, Duff & Phelps and Moody's have placed PGE on credit watch. ***Portland General Holdings, Inc.*** **Operations** Operating cash flow from nonutility businesses is derived principally from income tax benefits, cash from rentals of leasing investments and the sale of discontinued real estate investments. During 1991, $13 million was derived from tax benefits and $15 million from real estate sales. 1992 cash flow from operations and asset sales are anticipated to be sufficient to meet operating needs. **Investing Activities** On July 16, 1991, Holdings,

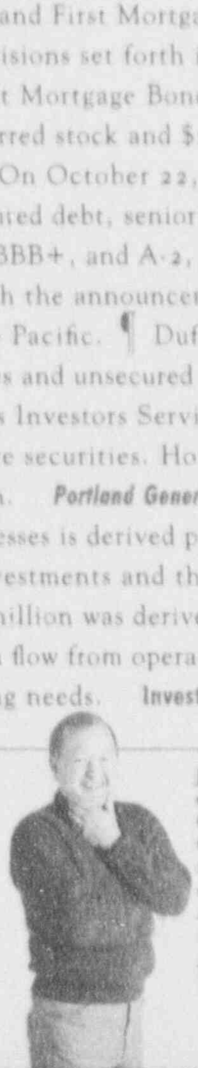
Interest Coverage Ratio (SEC Basis)

'87	'88	'89	'90	'91
1.9	2.1	1.4	2.4	1.0
1.7	1.9	.9	1.9	.8



(TIMES)

■ BEFORE TAX
■ AFTER TAX



Jack Strege, Administrative Supervisor, Boardman. • Named 1991 Citizen of the Year by the Boardman Chamber of Commerce, Strege serves numerous local causes, from sitting on the board of the Community Action Program for Central Oregon to organizing fundraisers for St. Jude's Hospital. "Company support helps me contribute to the community."

acquired 5 million shares of a new issue of Bonneville Pacific common stock in exchange for canceling $20 million of debt owed to Holdings and for other consideration. This transaction brought Holdings' ownership up to 46% of Bonneville Pacific's outstanding common stock. On November 12, 1991, Holdings announced its decisions to write-off its equity investment in Bonneville Pacific and to make no additional equity investments in independent power. ¶ During 1991, Holdings loaned $28 million to Bonneville Pacific and its subsidiaries to help alleviate liquidity problems. As of December 31, 1991, these loans remained outstanding. Holdings recorded a loss provision in December 1991 against the outstanding loans. Holdings intends to pursue recovery of the loans but cannot predict what amount, if any, will be recovered. ¶ With Holdings' decision to make no new investments in independent power, 1992 capital requirements are primarily to meet existing obligations. Holdings will continue to hold investments in leveraged leases which are providing tax benefits and cash. In addition, cash proceeds from the sale of real estate and independent power assets are expected over the next two years. **Financing Activities** Holdings finances its cash requirements through borrowing arrangements with Portland General and from bank lines and bank term loans. Holdings' committed line of credit of $50 million expired in 1991. ¶ Scheduled debt maturities for Holdings and its wholly owned subsidiaries through 1993 are $15 million in 1992 and $29 million in 1993. In addition, in the first half of 1992, Holdings may be required to fund $22 million to pay debt obligations of Cornerstone Columbia Development Company, a partnership in which Holdings' real estate subsidiary is a 50% partner. Holdings does not anticipate entering into any new financing agreements. Existing debt is expected to be repaid from internal sources (including real estate sales, tax benefits and cash from lease rentals) and through borrowing arrangements with Portland General.

Sue Olsen, Community Resources Clerk. • Olsen sparked the idea for PGE's "Adopt-a-Highway" program, uniting the Community Relations crew in cleaning up a two-mile stretch of the Sunset Highway. "We want the community to know that PGE acts on behalf of the environment."

Management's Statement of Responsibility

Portland General Corporation's management is responsible for the preparation and presentation of the consolidated financial statements in this report. Management is also responsible for the integrity and objectivity of the statements. Generally accepted accounting principles have been used to prepare the statements, and in certain cases informed estimates have been used that are based on the best judgment of management. ¶ Management has established, and maintains, a system of internal accounting controls. The controls provide reasonable assurance that assets are safeguarded, transactions receive appropriate authorization, and financial records are reliable. Accounting controls are supported by written policies and procedures, an operations planning and budget process designed to achieve corporate objectives, and internal audits of operating activities. ¶ Portland General's Board of Directors includes an Audit Committee composed entirely of outside directors. It reviews with management, internal auditors and independent auditors, the adequacy of internal controls, financial reporting, and other audit matters. ¶ Arthur Andersen & Co. is Portland General's independent public accountant. As a part of its annual audit, internal accounting controls are selected for review in order to determine the nature, timing and extent of audit tests to be performed. All of the corporation's financial records and related data are made available to Arthur Andersen & Co. Management has also endeavored to ensure that all representations to Arthur Andersen & Co. were valid and appropriate.

Joseph M. Hirko
Vice President Finance,
Chief Financial Officer,
Chief Accounting Officer
and Treasurer

Earl Wood, Supervisor, Substation Maintenance and Construction. • Wood's Generation & Transmission group completely rebuilt the Fort Rock capacitor station on the Pacific Northwest-Southwest Intertie, saving the Company around $150,000. "In-house construction has the two-fold benefit of saving money and providing valuable experience for the future."

Report of Independent Public Accountants

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

We have audited the consolidated balance sheets and statements of capitalization of Portland General Corporation and subsidiaries as of December 31, 1991 and 1990, and the related consolidated statements of income, retained earnings, and cash flows for each of the three years in the period ended December 31, 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. ¶ We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. ¶ In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Portland General Corporation and subsidiaries as of December 31, 1991 and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991 in conformity with generally accepted accounting principles.

February 4, 1992
(except with respect to the matter discussed in the third paragraph of Note 14, as to which the date is February 25, 1992)

Arthur Andersen & Co.
Portland, Oregon

Bobbye Brown, Coordinator, Human Resources Support. • In the name of PGE, Brown has volunteered many hours to community projects like Streetwalk (part of "I Have a Dream") and knitting caps and booties for premature infants at local hospitals. "I believe that caring means sharing — whether time, talent or money."

Portland General Corporation & Subsidiaries

Consolidated Statements of Income

For the Years Ended December 31 (Thousands of Dollars)	1991	1990	1989
Operating Revenues	$889,935	$852,105	$796,910
Operating Expenses			
Purchased power and fuel	226,264	201,272	181,723
Production and distribution	95,960	90,749	88,651
Maintenance	91,304	55,463	57,113
Administrative and other	124,174	105,423	101,893
Depreciation, decommissioning and amortization	112,567	90,523	91,783
Taxes other than income taxes	59,023	59,602	56,729
	709,292	603,032	577,892
Operating Income Before Income Taxes	180,643	249,073	219,018
Income Taxes	44,005	72,616	57,141
Net Operating Income	136,638	176,457	161,877
Other Income (Deductions)			
Regulatory reserves—net of taxes ($14,153), $31,878	—	16,090	(88,830)
Loss from independent power—net of taxes $16,058, $531	(74,144)	(3,390)	—
Interest expense	(81,745)	(83,532)	(81,585)
Allowance for funds used during construction	2,049	1,757	3,946
Preferred dividend requirement—PGE	(12,913)	(13,073)	(13,232)
Other—net of income taxes	9,417	5,643	7,924
Income (Loss) From Continuing Operations	(20,698)	99,952	(9,900)
Discontinued Operations			
Loss from discontinued real estate operations	—	—	(5,033)
Estimated loss on disposal of real estate operations, including provision for operating losses during the phase-out period	(29,169)	—	(12,000)
Net Income (Loss)	$ (49,867)	$ 99,952	$ (26,933)
Common Stock			
Average shares outstanding	46,333,036	46,133,303	46,112,255
Earnings (loss) per average share			
Continuing operations	$ (.43)	$ 2.17	$ (.21)
Loss from discontinued real estate operations	—	—	(.11)
Estimated loss from disposal of real estate operations	(.63)	—	(.26)
Earnings (loss) per average share	$ (1.06)*	$ 2.17	$ (.58)
Dividends declared per share	$ 1.20	$ 1.20	$ 1.96

*Includes $.02 for tax benefits from ESOP dividends

Portland General Corporation & Subsidiaries

Consolidated Statements of Retained Earnings

For the Years Ended December 31 (Thousands of Dollars)	1991	1990	1989
Balance at Beginning of Year	$123,882	$ 79,292	$196,608
Net Income (Loss)	(49,867)	99,952	(26,933)
	74,015	179,244	169,675
Dividends Declared on Common Stock	55,602	55,362	90,383
Balance at End of Year	$ 18,413	$123,882	$ 79,292

The accompanying notes are an integral part of these statements.

Consolidated Statements of Capitalization

At December 31 (Thousands of Dollars)	1991		1990	
Common Stock Equity				
Common stock, $3.75 par value per share, 100,000,000 shares authorized, 46,525,163 and 46,145,208 shares outstanding	$ 174,469		$ 173,045	
Other paid-in capital—net	516,497		510,277	
Unearned compensation	(30,070)		(35,789)	
Retained earnings	18,413		123,882	
	679,309	38.7%	771,415	45.7%
Cumulative Preferred Stock				
Subject to mandatory redemption				
$100 par value per share, 2,500,000 shares authorized				
8.875% Series, 72,000 and 90,000 shares outstanding	7,200		9,000	
Current sinking fund	(1,800)		(1,800)	
8.10% Series, 500,000 shares outstanding	50,000		50,000	
	55,400	3.1	57,200	3.4
Not subject to mandatory redemption				
7.95% Series, 298,045 shares outstanding	29,804		29,804	
7.88% Series, 199,575 shares outstanding	19,958		19,958	
8.20% Series, 199,420 shares outstanding	19,942		19,942	
$25 par value per share, 6,000,000 shares authorized				
$2.60 Series, 1,000,000 shares outstanding	25,000		25,000	
	94,704	5.4	94,704	5.6
Long-Term Debt				
First mortgage bonds				
Maturing 1991 through 1997				
5⅛% Series due November 1, 1991	—		5,965	
4⅝% Series due February 1, 1993	8,039		8,227	
4¾% Series due June 1, 1993	9,945		10,170	
4¾% Series due April 1, 1994	8,569		8,794	
4.70% Series due March 1, 1995	3,570		3,745	
5⅞% Series due June 1, 1996	5,666		5,816	
6.60% Series due October 1, 1997	15,663		15,663	
Medium-term notes—8.35%-9.27%	115,050		96,000	
Maturing 1998 through 2002—7¼%-9⅞%	135,415		116,915	
Maturing 2003 through 2007—7.95%-9½%	142,112		124,612	
Maturing 2016 through 2021—9.31%-9⅝%	145,000		100,000	
Pollution control bonds				
Port of Morrow, OR, variable rate (Avg 4.1% for 1991), due 2013	23,600		23,600	
City of Forsyth, MT, variable rate (Avg 4.3%-4.7% for 1991), due 2013 through 2016	118,800		118,800	
Amount held by trustee	(7,921)		(7,413)	
Port of St. Helens, OR, due 2010 and 2014 (Avg variable 4.1%-4.7% for 1991; fixed 7⅛%)	51,600		51,600	
Amount held by trustee	—		(195)	
8% Debentures due October 1, 1991	—		100,000	
10% Debentures due March 1, 2018	50,000		50,000	
Medium-term notes maturing 1994 through 1996—7.23%-8.09%	50,000		—	
Notes maturing 1991 through 1993—8.56%-8.83%	33,000		18,000	
Capital lease obligations	17,643		19,438	
Other	14,777		13,525	
	940,528		883,262	
Long-term debt due within one year	(13,626)		(119,924)	
	926,902	52.8	763,338	45.3
Total Capitalization	$1,756,315	100.0%	$1,686,657	100.0%

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

At December 31 (Thousands of Dollars)	1991	1990
Assets		
Electric Utility Plant — Original Cost		
Utility plant (includes Construction Work in Progress of $43,865 and $21,469)	$2,726,768	$2,619,618
Accumulated depreciation and decommissioning	(989,624)	(889,832)
	1,737,144	1,729,786
Nuclear fuel — less amortization of $208,399 and $204,736	45,714	29,499
Capital leases — less amortization of $19,675 and $17,880	17,643	19,438
	1,800,501	1,778,723
Other Property and Investments		
Leveraged leases	154,125	150,150
Net assets of discontinued real estate operations	3,030	37,781
Nuclear decommissioning trust at cost which approximates market	20,104	—
Investment in and advances to affiliates	987	35,139
Conservation loans and other	88,287	79,823
	266,533	302,893
Current Assets		
Cash and cash equivalents	2,021	14,684
Accounts and notes receivable	82,453	86,276
Estimated unbilled revenues	57,134	50,000
Inventories, at average cost	57,369	58,120
Prepayments and other	40,779	31,060
	239,756	240,140
Deferred Charges		
WNP-3 settlement exchange agreement	188,150	194,381
Unamortized debt expense	26,536	28,251
Unamortized regulatory costs	71,555	39,418
Other	24,280	47,765
	310,521	309,815
	$2,617,311	$2,631,571

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

At December 31 (Thousands of Dollars)	1991	1990
Capitalization and Liabilities		
Capitalization		
Common stock	$ 174,469	$ 173,045
Other paid-in capital	516,497	510,277
Unearned compensation	(30,070)	(35,789)
Retained earnings	18,413	123,882
	679,309	771,415
Cumulative preferred stock of subsidiary		
Subject to mandatory redemption	55,400	57,200
Not subject to mandatory redemption	94,704	94,704
Long-term debt	925,902	763,338
	1,756,315	1,686,657
Current Liabilities		
Long-term debt and preferred stock due within one year	15,426	121,724
Short-term borrowings	92,473	115,174
Accounts payable and other accruals	127,063	81,034
Accrued interest	23,681	20,049
Dividends payable	17,549	17,511
Accrued taxes	39,614	42,251
	315,806	397,743
Other		
Deferred income taxes	379,663	363,421
Deferred investment tax credits	71,541	75,690
Regulatory reserves -- net of taxes	75,926	76,727
Miscellaneous	18,060	31,333
Commitments and contingencies	—	—
	545,190	547,171
	$2,617,311	$2,631,571

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31 (Thousands of Dollars)	1991	1990	1989
Cash Provided (Used) By —			
Operations			
Net income (loss)	$ (49,867)	$ 99,952	$ (26,933)
Adjustments to reconcile net income (loss) to net cash provided by operations:			
Equity in losses (earnings) of unconsolidated affiliates	(356)	2,621	(456)
Depreciation, decommissioning and amortization	115,285	103,117	101,979
Deferred income taxes — net	1,200	43,199	32,405
Other noncash revenues	(4,160)	(6,175)	(8,878)
WNP-3 exchange agreement amortization	6,231	(9,314)	(10,436)
Amortization of deferred charges	9,798	8,300	28,591
Regulatory reserves — net of tax	—	(16,090)	88,830
Non-cash loss from independent power	83,493	—	—
(Increase) Decrease in receivables	(3,750)	(19,377)	2,140
(Increase) Decrease in inventories	751	(858)	(4,214)
Increase (Decrease) in payables	25,208	(360)	451
Other working capital items — net	(1,895)	102	(7,809)
Net assets of discontinued operations	34,751	13,557	6,001
Deferred charges	(15,435)	(24,159)	(11,586)
Miscellaneous — net	15,402	4,160	6,805
	216,656	198,675	196,890
Investing Activities:			
Utility construction	(138,905)	(109,116)	(119,089)
Leveraged leases	—	(5,174)	(136,080)
Rentals received — net of interest paid	11,099	7,086	7,443
Nuclear decommissioning trust	(20,104)	—	—
Marketable securities — net	2,708	36,759	(1,997)
Advances to affiliates	(42,494)	(36,779)	—
Other	(16,851)	(11,326)	(13,374)
	(204,547)	(118,550)	(263,097)
Financing Activities:			
Short-term borrowings — net	(22,701)	14,574	63,000
Long-term debt issued	178,016	120,700	12,000
Long-term debt retired	(119,004)	(99,306)	(16,578)
Nonrecourse borrowings for leveraged leases	—	4,020	103,682
Repayment of nonrecourse borrowings for leveraged leases	(10,304)	(7,270)	(4,770)
Preferred stock retired	(1,800)	(1,800)	(1,800)
Common stock issued	6,585	408	398
Unearned compensation	—	(36,000)	—
Dividends paid	(55,564)	(64,164)	(90,382)
	(24,772)	(68,838)	65,550
Increase (Decrease) in Cash and Cash Equivalents	(12,663)	11,287	(657)
Cash and Cash Equivalents at the Beginning of Period	14,684	3,397	4,054
Cash and Cash Equivalents at the End of Period	$ 2,021	$ 14,684	$ 3,397
Supplemental disclosures of cash flow information			
Cash paid during the year:			
Interest	$ 76,326	$ 82,334	$ 77,307
Income taxes	23,560	18,462	28,983

The accompanying notes are an integral part of these statements.

Note 1. Summary of Significant Accounting Policies

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

BASIS OF ACCOUNTING — Portland General and its subsidiaries conform to generally accepted accounting principles. In addition, PGE's policies are in accordance with the accounting requirements and the ratemaking practices of regulatory authorities having jurisdiction.

REVENUES — PGE accrues estimated unbilled revenues for services provided to month-end.

PURCHASED POWER — PGE credits purchased power costs for the net amount of benefits received through a power purchase and sale contract with the BPA. Reductions in purchased power costs that result from this exchange are passed directly to PGE's residential and small farm customers in the form of lower prices.

DEPRECIATION — PGE's depreciation is computed on the straight-line method based on the estimated average service lives of the various classes of plant in service. In early 1991, the Oregon Public Utility Commission (PUC) approved a technical change in straight-line depreciation for the Trojan Nuclear Plant which is now based on the remaining life of the plant's license. The PUC also approved an increase in the estimate of decommissioning costs. See Note 6, Trojan Nuclear Plant, for further details. Depreciation and decommissioning expense as a percent of the related average depreciable plant in service was approximately 4.3% in 1991, 3.6% in 1990 and 3.7% in 1989.

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

NUCLEAR FUEL — Amortization of the cost of nuclear fuel is based on the quantity of heat produced for the generation of electric energy.

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFDC) — AFDC represents the pretax cost of borrowed funds used for construction purposes and a reasonable rate for equity funds. AFDC is capitalized as part of the cost of plant and is credited to income but does not represent current cash earnings. The average rates used by PGE were 8.05%, 8.61% and 10.22% for the years 1991, 1990 and 1989, respectively.

INCOME TAXES — Portland General files consolidated federal income tax returns which include its subsidiaries. Portland General's policy is to collect for tax liabilities resulting from subsidiaries that generate taxable income and reimburse subsidiaries for tax benefits utilized in its tax return.

Income tax provisions are adjusted, when appropriate, for potential tax adjustments. Deferred income taxes are provided for timing differences between financial and income tax reporting. See Note 5, Income Taxes, for more details.

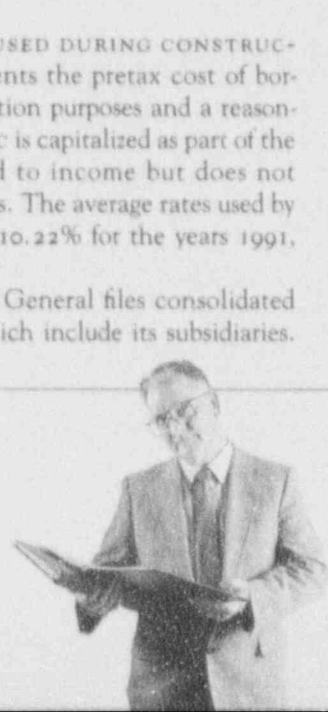
PGE Deferred Taxes & ITC — PGE is limited to recording deferred income taxes to the extent permitted by the PUC for ratemaking purposes. Tax reductions resulting from ITC are deferred and amortized to income over periods not to exceed 25 years, the approximate lives of the related properties.

Deferred income taxes are provided on timing differences associated with property placed in service and depreciated since 1981. For property placed in service prior to 1981, deferred taxes were provided for only a portion of the excess accelerated depreciation over book depreciation. At December 31, 1991, PGE's cumulative amount of all timing differences for which deferred taxes have not been recorded was approximately $334 million. PGE anticipates that it will recover related future tax payments through rates charged customers.

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

The components of CWL's net investment in leases as of December 31, 1991 and 1990 are as follows:

(Thousands of Dollars)	1991	1990
Lease contracts receivable	$689,047	$732,491
Nonrecourse debt service	(566,719)	(609,640)
Net contracts receivable	122,328	122,851
Estimated residual value	88,190	88,207
Less — Unearned income	(46,135)	(50,210)
Investment in leveraged leases	164,383	160,848
Less — Deferred ITC	(10,258)	(10,698)
Investment in leases, net	$154,125	$150,150



Lowell Ness, Stationery Coordinator. • Ness developed a program to recycle unused stationery items that's saving the Company $4,000 to $6,000 a month. "I try to save the Company money wherever possible, even if it takes a little extra effort. Through recycling supplies, I can fill orders more quickly too."

CASH AND CASH EQUIVALENTS — Highly liquid investments with maturities of three months or less are classified as cash equivalents.

DEFERRED CHARGES — PGE defers certain costs for which revenues will be provided in future periods. Balances are amortized over the period in which revenues are collected, primarily on a straight-line basis. The WNP-3 Settlement Exchange Agreement, which has been excluded from PGE's rate base, is carried at present value and amortized on a constant return basis.

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

Note 2. Real Estate – Discontinued Operations

Portland General is divesting its real estate operations, which consist primarily of Columbia Willamette Development Company (CWDC) and a 50% share of Cornerstone Columbia Development Company (Cornerstone), a partnership with Weyerhaeuser Real Estate Company. In 1989, an estimated loss on disposal of $12 million (net of related income tax benefits of $6.6 million) was recorded on an estimated completion of divestiture by year-end 1992.

Portland General reviewed the adequacy of the $12 million reserve established at year-end 1989 and determined that an additional reserve was warranted. A loss of $29 million (net of related income tax benefits of $17 million) was recorded in the fourth quarter of 1991 to recognize lower market values and additional holding costs. The commercial real estate market has softened in the past year due to the combined effects of a weakening economy and more restrictive bank lending policies. Portland General expects that the liquidation of projects will be substantially completed over the next two years.

At December 31, 1991 and 1990, the net assets of real estate operations were composed of the following:

(Thousands of Dollars)	1991	1990
ASSETS		
Real estate development	$30,798	$44,661
Current assets	20,433	19,409
Total assets	60,231	64,070
LIABILITIES		
Long-term payables and other	10,292	10,566
Current liabilities	26,155	12,388
Total liabilities	36,447	22,954
Reserve for discontinuance — net	20,754	3,335
Net Assets	$ 3,030	$37,781

Operating results prior to discontinuation are shown separately in the consolidated statements of income. Such amounts are net of related income tax benefits of $3 million in 1989. Operating revenues from discontinued real estate operations were $17.5 million in 1989.

The Cornerstone partnership has future lease obligations, totaling $12 million at December 31, 1991, that are not reflected in the above statement. Under its master leases, Cornerstone (lessee) guarantees future rent payments to the lessor over the lease term. Should partnership resources be insufficient to meet obligations, CWDC could be jointly and severally liable for guarantees and commitments of the partnership.

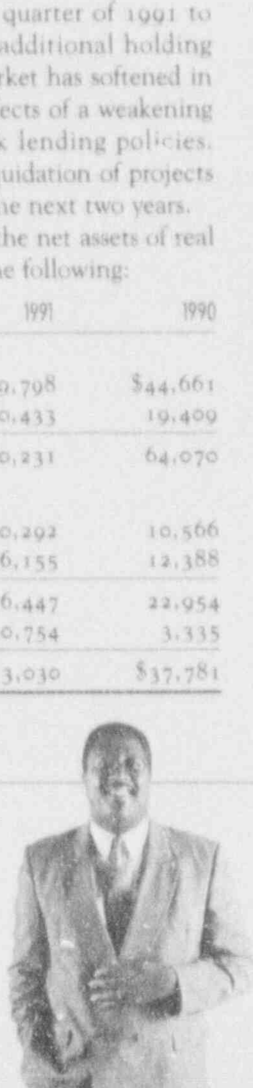
Management believes that it has adequately provided for accounting losses to be incurred during the disposal of real estate assets. Prior estimates will be continually monitored during the liquidation period.

Note 3. Loss From Independent Power

In late 1991, Holdings, a wholly owned subsidiary of Portland General, recorded losses totaling $74 million, net of tax benefits of $16 million, related to the write-off of Holdings' equity investment in Bonneville Pacific and a provision for uncollectible loans, project development and other costs.

Holdings owns 9.8 million shares, or 46%, of Bonneville Pacific's common stock. The write-off followed a review of the Bonneville Pacific investment, which raised various concerns including the carrying values of certain of its assets, the lack of progress by Bonneville Pacific to complete agreed-upon project selldowns and Bonneville Pacific's poor financial performance.

In December 1991, Bonneville Pacific voluntarily filed for protection under Chapter 11 of the Bankruptcy Code. Holdings also has $28 million of secured and unsecured loans outstanding to Bonneville Pacific and its subsidiaries. Holdings recorded a provision in December 1991 against the outstanding loans. Holdings intends to pursue recovery of these loans but cannot predict what amount, if any, may be recovered. See Note 14, Legal Matters, for further details.



Emmett Wheatfall, Equal Employment Opportunity Specialist. • Through the Work Force Diversity Challenge Committee, Wheatfall was instrumental in heightening Company awareness of the benefits of cultural diversity. "There is room at the table for everybody. We just need to expand our seating capacity."

Note 4. Retirement Benefits

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

Portland General determines net periodic pension expense according to the principles of Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions. The following table sets forth the plan's funded status and amounts recognized in Portland General's financial statements:

(Thousands of Dollars)	1991	1990
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $130,469 and $114,500	$140,289	$122,900
Effect of projected future compensation levels	32,456	28,900
Projected benefit obligation (PBO)	172,745	151,800
Plan assets at fair value	219,024	183,396
Plan assets in excess of PBO	46,279	31,596
Unrecognized net experience gain	(38,667)	(19,378)
Unrecognized prior service costs	18,009	18,085
Unrecognized net transition asset being recognized over 18 years	(25,448)	(27,406)
Pension prepaid cost	$ 173	$ 2,897

Net pension expense for 1991, 1990 and 1989 included the following components:

(Thousands of Dollars)	1991	1990	1989
Service cost	$ 5,627	$ 4,788	$ 5,090
Interest cost on PBO	13,641	12,074	12,267
Actual return on plan assets	(45,693)	(3)	(34,096)
Net amortization and deferral	30,029	(15,272)	19,950
Net periodic pension expense	$ 3,604	$ 1,587	$ 3,211

Assumptions:	1991	1990	1989
Discount rate used to calculate PBO	8.00%	8.75%	8.50%
Rate of increase in future compensation levels	6.25%	6.25%	6.50%
Long-term rate of return on assets	8.50%	8.50%	8.50%

OTHER POSTRETIREMENT BENEFIT PLANS—Portland General accrues for postretirement benefits other than pensions during the employees' service years. Employees are covered under a Defined Dollar Benefit Plan which limits Portland General's liability by establishing a maximum contribution per employee. The projected benefit obligation for postretirement health and life insurance benefits at December 31, 1991 was $30 million, for which there was $21 million of assets held in trust.

Portland General also provides senior officers with additional benefits under an unfunded Supplemental Executive Retirement Plan (SERP). Projected benefit obligations for the SERP are $13 and $11 million at December 31, 1991 and 1990, respectively.

Bob James, Supervisor, Service & Design, Sanford Kondo, Engineer, and Tom Krueger, Sales Executive. • Krueger, Kondo and James helped design PGE's biggest energy efficiency project to date. It qualifies customer Intel Corp. for a state energy tax credit of more than $1 million and will save the Company 30 to 40 million kilowatt-hours a year.

Note 5. Income Taxes

Years Ended December 31 (Thousands of Dollars)	1991	1990	1989
Income Tax Expense			
Currently payable	$ 22,520	$ 30,421	$ 24,282
Deferred income taxes			
Accelerated depreciation	26,258	35,543	41,937
Adjustment to WNP-3	(2,570)	3,756	4,033
Unbilled revenue	(1,081)	(3,184)	(3,284)
AMAX coal contract	(1,050)	16,708	—
Regional Power Act	—	679	(3,494)
Energy efficiency programs	2,859	—	—
Trojan replacement power	5,084	—	—
Trojan sleeving costs	4,080	—	—
Lease income	(14,892)	(12,949)	(10,504)
Nonrecourse debt interest	12,156	12,532	10,831
Other	(3,759)	(5,319)	(3,377)
Investment tax credit adjustments	(4,589)	(4,946)	(3,619)
	$ 45,016	$ 73,241	$ 56,805
Provision Allocated to:			
Operations	$ 44,005	$ 72,616	$ 57,141
Other income and deductions	1,011	625	(336)
	$ 45,016	$ 73,241	$ 56,805
Effective Tax Rate Computation			
Computed tax based on statutory federal income tax rates applied to income before income taxes	$ 33,477	$ 54,567	$ 46,150
Increases (Decreases) resulting from:			
Accelerated depreciation	7,763	5,998	5,693
State and local taxes — net	5,766	5,095	5,840
Investment tax credits	(4,589)	(4,946)	(3,657)
Adjustments to income tax reserves	(393)	4,404	583
Preferred dividend requirement	4,390	4,445	4,499
Other	(1,398)	3,678	(2,303)
	$ 45,016	$ 73,241	$ 56,805
Effective tax rate	45.7%	45.6%	41.9%

The table above shows the detail of taxes on income and the items used in computing the differences between the statutory federal income tax rate and Portland General's effective tax rate. **Note:** The table does not include income taxes related to regulatory reserves or the losses from independent power and discontinued real estate operations.

The IRS concluded its audit of PGE for the years 1981 to 1984, and PGE's appeal was settled in 1991. The settlement had no material impact on PGE's financial results.

The IRS has also completed its examination of Portland General's tax returns for the years 1985 to 1987 and has issued a statutory notice of tax deficiency, which Portland General is contesting. As part of this audit, the IRS has proposed to disallow PGE's 1985 WNP-3 abandonment loss deduction on the premise that it is a taxable exchange. PGE disagrees with this position and will take appropriate action to defend its deduction. Management believes that it has appropriately provided for probable tax adjustments and is of the opinion that the ultimate disposition of this matter will not have a material adverse impact on the financial condition of Portland General.

Rick Roth, Chemist, Beaver Plant. • Roth automated the Beaver water plant and substituted liquid hypochlorite (bleach) for chlorine gas — money-saving innovations that make the plant safer and more reliable. "I like being able to implement creative ideas that help increase productivity."

Note 6. Trojan Nuclear Plant

Trojan is a 1,100 megawatt, pressurized water nuclear plant of which PGE, the operator, has a 67½% interest. The plant has been operational since 1976 and its license period runs through the year 2011. The plant's nuclear steam supply system was designed and manufactured by Westinghouse.

Trojan, PGE's largest single generating source of energy, provides about 25% to 28% of PGE's net load requirements. Trojan's capacity factor declined to 15% in 1991 due to an extended outage. The plant's average annual capacity factor for the past five years is 50% compared with the national average of 64% for all nuclear power plants. Trojan's annual refueling and maintenance outages are scheduled during the springtime to take advantage of decreasing energy demands and favorable hydroelectric conditions in the region.

For ratemaking purposes, Trojan costs are based on a 63% annual capacity factor. Replacement power costs in excess of those used for setting rates may adversely affect earnings. PGE has operated without a power cost adjustment provision in its rates since late 1987. However, during Trojan's 1991 extended outage, the PUC granted recovery of a portion of PGE's excess power costs. See Management's Discussion and Analysis for further details.

REGULATION — The Nuclear Regulatory Commission (NRC) regulates the licensing, construction, and operation of Trojan. The Oregon Department of Energy (ODOE) also monitors the operation of Trojan. The NRC and the ODOE can close the plant if there is an imminent danger to the public.

An anti-nuclear group has requested that the Oregon Energy Facility Siting Council hold hearings to investigate the overall safety of Trojan. In January 1992, the Council rejected a similar request to hold hearings on safety issues related to steam generators.

1991 OPERATIONS — Routine inspections during the 1991 maintenance outage revealed increasing deterioration of the steam generator tubes and a type of degradation not previously detected. PGE decided to keep the plant off-line in order to conduct extensive inspections to assess the extent and causes of the tube degradation. Tubes that were found to have microflaws were plugged (taken out of service) or had sleeves inserted. On February 5, 1992, the NRC approved a license amendment modifying the repair criteria to be used during the upcoming operating period. The repair criteria were developed by PGE in 1991 and are based on a methodology that better measures tube strength.

Trojan generated 988 million kilowatt-hours in 1991 and served 6% of PGE's net system load compared to 4,100 million kilowatt-hours and 24% of net system load in 1990. Operating and maintenance expenses (excluding fuel) were $105 million in 1991 as compared to $70 million in 1990.

PLANT INVESTMENT AND DECOMMISSIONING — As of December 31, 1991, PGE's investment in Trojan amounted to $579 million including construction work in progress. Depreciation reserves of $233 million have been accumulated, including $25 million for decommissioning. PGE has estimated the decommissioning cost of its share of Trojan in 2011 to be $488 million. PGE is recording an annual provision of $11 million. Costs are being collected from customers, and the collections are being deposited in an external trust fund. The annual provision will increase every five years using a modified sinking fund method.

NUCLEAR FUEL DISPOSAL — PGE has a contract with the US Department of Energy (USDOE) for permanent disposal of spent nuclear fuel in USDOE facilities. These disposal services are now estimated to commence no earlier than 2010. PGE pays the USDOE .1¢ per KWH generated at Trojan for these future disposal services. Payments are made quarterly. On-site storage capacity should accommodate fuel from the normal refueling schedule of Trojan through the year 2007. Revenues are provided to cover estimated costs of disposal.

At this early date, the three-year difference between on-site storage capacity and the availability of the USDOE facility does not, and is not anticipated to have, a material impact on PGE's financial condition.

NUCLEAR INSURANCE — The Price-Anderson Amendment of 1988 limits public liability claims that could arise from a nuclear incident to a maximum of $7.8 billion per incident. PGE has purchased the maximum primary insurance coverage currently available of $200 million. The remaining $7.6 billion is covered by secondary financial protection required by the NRC. This secondary coverage provides for loss sharing among all owners of nuclear reactor licenses.

In the event of an incident at any nuclear plant in which the amount of the loss exceeds $200 million, PGE could be assessed retrospective premiums of up to $45 million per incident, limited to a maximum of $7 million per incident in any one year under the secondary financial protection coverage.

Property damage, decontamination and decommissioning coverage is provided for losses at Trojan up to $337 million primary and $1.4 billion excess. $844 million of

Ray Fauth, Line Crew General Foreman, Salem, and Dave Van Bossuyt, Distribution Manager, Western. • After ospreys returned to nest on Salem-area power poles, Van Bossuyt and Fauth developed a program to provide used poles, special platforms and insulation to protect both birds and powerlines. "We feel a responsibility to do what's right for the environment in the course of our work."

the excess is provided subject to a potential maximum retrospective premium adjustment of $5 million per policy year. The NRC requires that, in case of an incident, insurance proceeds must first be dedicated to stabilizing and decontaminating the reactor. This could reduce the amount of proceeds available to repair, replace or restore the property or otherwise available to the trustee for application under PGE's first mortgage bond indenture. PGE maintains $364 million coverage for replacement power costs. Replacement power insurance provides indemnity payments for up to three years. A retrospective premium of up to $5 million per policy year may be assessed in the event losses exceed the accumulated funds available for this coverage. Insurance coverage is provided primarily through insurance companies owned by utilities with nuclear facilities.

INITIATIVE PETITION — Two initiative petitions are being circulated that would prohibit the operation of Trojan until specific conditions are met, including licensing of a permanent radioactive waste disposal site. If enough valid signatures are gathered, these initiatives would appear as ballot measures on the November 1992 Oregon general election ballot. PGE believes that passage of either measure could result in the indefinite shutdown of Trojan. Oregon voters rejected similar ballot measures in 1990 and 1986.

Note 7. Common and Preferred Stock

	Common Stock		Cumulative Preferred Stock of Subsidiary				
(Thousands of Dollars)	Number of Shares	$3.75 Par Value	Number of Shares	$100 Par Value	$25 Par Value	Other Paid-in Capital	Unearned Compensation
December 31, 1988	46,103,184	$172,887	2,323,040	$132,304	$25,000	$509,399	—
Sales of stock	17,117	64	—	—	—	334	—
Redemption of stock	—	—	(18,000)	(1,800)	—	—	—
December 31, 1989	46,120,301	172,951	2,305,040	130,504	25,000	509,733	—
Sales of stock	24,907	94	—	—	—	314	—
Redemption of stock	—	—	(18,000)	(1,800)	—	—	—
Loan to ESOP	—	—	—	—	—	—	$(36,000)
Tax benefits ESOP dividend	—	—	—	—	—	230	—
Repayment of ESOP loan and other	—	—	—	—	—	—	211
December 31, 1990	46,145,208	173,045	2,287,040	128,704	25,000	510,277	(35,789)
Sales of stock	381,342	1,430	—	—	—	5,161	—
Redemption of stock	(1,387)	(6)	(18,000)	(1,800)	—	—	—
Tax benefits ESOP dividend	—	—	—	—	—	992	—
Repayment of ESOP loan and other	—	—	—	—	—	67	5,719
December 31, 1991	46,525,163	$174,469	2,269,040	$126,904	$ 25,000	$516,497	$ (30,070)

COMMON STOCK — As of December 31, 1991, Portland General had reserved 1.7 million authorized but unissued common shares for issuance under its dividend reinvestment plan. In addition, new shares of common stock are issued under an employee stock purchase plan.

Portland General has an Employee Stock Ownership Plan (ESOP) which is a part of its 401(k) retirement savings plan. Employee contributions up to 6% of base pay are matched by employer contributions in the form of ESOP common stock. Shares of common stock to be used to match contributions of PGE employees were purchased from a $36 million loan from PGE to the ESOP trust in late 1990. This loan is represented in the common equity section as unearned compensation. Cash contributions from PGE and dividends on shares held in the trust are used to pay the debt service on PGE's loan. As the loan is retired, an equivalent amount of stock is allocated to employee accounts. In 1991, total contributions to ESOP of $6 million combined with dividends on unallocated shares of $3 million were used to pay debt service on PGE's loan

Bob Weber, Corporate Librarian. • *By setting up a CD ROM system with on-line indexing, Weber has provided employees with immediate, focused access to hundreds of utility and business periodicals. "Information is power. We want to maximize its efficient and economic use, not reinvent the wheel."*

($3 million of interest). Shares of common stock used to match contributions by employees of Portland General and its other subsidiaries are purchased on the open market.

Portland General has a Long-Term Incentive Master Plan under which 2.3 million shares of Portland General common stock are available for stock-based incentives to key employees. Of the stock available, 900,000 stock options have already been granted, 10,000 were exercisable as of January 31, 1991 and an additional 10,000 were exercisable as of September 30, 1991 at a price of $15.75 per share. The remaining 880,000 shares are exercisable beginning five years from the date of grant (in years 1995 and 1996), at prices ranging from $14 to $18 per share.

Portland General may, at its option, repurchase up to 3.3 million shares of common stock through a stock repurchase program.

NO PAR CUMULATIVE PREFERRED STOCK—Portland General and PGE each have 30,000,000 shares of no par cumulative preferred stock authorized. No shares have been issued.

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

The 8.10% Series preferred stock has an annual sinking fund requirement which requires the redemption of 100,000 shares at $100 per share beginning in 1994. At its option, PGE may redeem, through the sinking fund, an additional 100,000 shares each year. This Series is redeemable at the option of PGE at $105 per share to April 14, 1992 and at reduced amounts thereafter.

PGE is required to redeem annually 18,000 shares of the 8.875% Series preferred stock at $100 per share. At its option, PGE may redeem, through the sinking fund, an additional 18,000 shares each year. This Series is redeemable at the option of PGE at $102 per share to April 30, 1992 and at reduced amounts thereafter.

COMMON DIVIDEND RESTRICTION OF SUBSIDIARY—PGE is restricted from paying dividends or making other distributions to Portland General, without prior PUC approval, to the extent such payment or distribution would reduce PGE's common stock equity capital below 36% of its total capitalization. At December 31, 1991, PGE's common stock equity capital was 42% of its total capitalization.

Note 8. Short-Term Borrowings

Portland General meets its liquidity needs through the issuance of commercial paper and borrowings from commercial banks. At December 31, 1991, Portland General had total committed lines of credit of $175 million. Portland General, the parent, has a $50 million committed facility expiring in July 1992 and PGE has two committed facilities totaling $125 million expiring in July 1993. These lines of credit have commitment fees and/or facility fees ranging from 1/10 to 1/4 of one percent per year and do not require compensating cash balances. The facilities are used primarily as back-up for both commercial paper and borrowings from commercial banks under uncommitted lines of credit. At December 31, 1991, there were no outstanding borrowings under the committed facilities.

Portland General, the parent, and PGE have commercial paper facilities of $50 million and $100 million, respectively. The amount of commercial paper outstanding cannot exceed each company's unused committed lines of credit.

Commercial paper and lines of credit borrowings are at rates reflecting current market conditions and generally, are substantially below the prime commercial rate.

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

December 31 (Thousands of Dollars)	1991	1990	1989
As of the end of the year:			
Aggregate short-term debt outstanding			
Bank loans	$ 16,000	$ 60,500	$100,600
Commercial paper	$ 76,473	$ 54,674	—
Weighted average interest rate			
Bank loans	6.8%	8.7%	9.4%
Commercial paper	5.5%	8.3%	—
Unused committed lines of credit	$175,000	$200,000	$205,000
For the year ended:			
Average daily amounts of short-term debt outstanding			
Bank loans	$ 56,579	$ 65,979	$ 35,418
Commercial paper	$ 30,539	$ 32,666	$ 723
Weighted daily average interest rate			
Bank loans	7.2%	8.7%	9.6%
Commercial paper	6.5%	8.3%	9.2%
Maximum amount outstanding during the year	$108,231	$139,400	$100,600

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

Becky Gerald, Clerk, Trojan Plant Services. • Named PGE's 1991 Volunteer of the Year, Gerald devotes personal time (including vacation) to charitable causes such as helping elderly citizens and Mexican orphans and working on PGE's United Way campaign. "Volunteer work gives me great satisfaction. The Company's support enables me to do even more."

Note 9. Long-Term Debt

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

The following principal amounts of long-term debt become due for redemption through sinking funds and maturities:

(Thousands of Dollars)	1992	1993	1994	1995	1996
Sinking Funds	$ 4,664	$ 4,251	$ 4,026	$ 3,851	$ 3,701
Maturities	11,413	62,178	4[illegible],289	71,356	57,528

The sinking funds include $2,451,000 a year for 1992 through 1996 which, in accordance with the terms of the Indenture, PGE may satisfy by pledging available additions equal to 166⅔% of the sinking fund requirements.

Note 10. Commitments

PURCHASE COMMITMENTS — Purchase commitments outstanding, principally construction at PGE, totaled approximately $30 million at December 31, 1991. Cancellation of these purchase agreements could result in cancellation charges.

INTERTIE AGREEMENT — PGE and BPA agreed to an expansion of the Pacific Northwest Intertie. With the expansion, PGE would gain an additional 150 megawatts of scheduling rights at an estimated cost of $12 million. It is scheduled to be completed in 1993. The agreement also provides that if BPA is unable to obtain financing for its share of the expansion, BPA can request PGE to assist in its financing arrangements.

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

PGE's share of debt service costs, excluding interest, will be approximately $5 million for each of the years 1992 through 1996. The minimum payments through the remainder of the contracts are estimated to total $110 million.

LEASES — PGE has leasing arrangements for its headquarters complex, combustion turbines and the coal-handling facilities and railroad cars for the Boardman Coal Plant. PGE's aggregate rental payments charged to expense amounted to $21 million in 1991, 1990 and 1989.

PGE has capitalized its combustion turbine leases. However, these leases are considered operating leases for ratemaking purposes.

As of December 31, 1991, the future minimum lease payments under noncancellable leases (excluding leveraged leases) are as follows:

Year Ending December 31 (Thousands of Dollars)	Capital Leases	Operating Leases (Net of Sublease Rentals)	Total
1992	$ 3,016	$ 16,819	$ 19,835
1993	3,016	16,051	19,067
1994	3,016	16,037	19,053
1995	3,016	16,120	19,136
1996	3,016	16,280	19,296
Remainder	7,368	200,184	207,552
Total	$ 22,448	$281,491	$303,939
Imputed Interest	(4,805)		
Present Value of Minimum Future Net Lease Payments	$17,643		

Included in the future minimum lease payments schedule above is approximately $150 million for PGE's headquarters complex.

(Thousands of Dollars)	Rocky Reach	Priest Rapids	Wanapum	Wells	Portland Hydro
Revenue bonds outstanding at December 31, 1991	$194,156	$100,582	$128,195	$201,595	$ 43,920
PGE's current share of output, capacity, and cost					
Percentage of output	12.0%	13.9%	18.7%	21.0%	100%
Net capability in megawatts	154	125	170	170	36
Annual cost, including debt service					
1991	$3,800	$3,400	$4,000	$4,300	$3,800
1990	3,400	2,900	3,400	3,400	4,900
1989	3,200	2,300	3,300	3,800	5,100
Contract expiration date	2011	2005	2009	2018	2017

Dan Jones, Supervisor, Materials Management; Dan Rynearson and Norman Hale, Information Systems Analysts. • Jones, Hale and Rynearson helped implement a payment system for Company purchase orders that eliminates paper invoicing. "Through better teamwork and quicker payment of orders, the Company is able to save money by capturing more discounts for early payment."

Note 11. WNP-3 Settlement Exchange Agreement

PGE is selling energy received under a WNP-3 Settlement Exchange Agreement (WSA) to the Western Area Power Administration (WAPA) for 25 years, which began October 1990. Revenues from the WAPA sales contract are expected to be sufficient to support the carrying value of PGE's investment.

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

Note 12. Jointly Owned Plant

At December 31, 1991, PGE had the following investments in jointly owned generating plants (thousands of dollars):

Facility	Trojan	Boardman	Colstrip 3 & 4	Centralia
Location	Rainier, Oregon	Boardman, Oregon	Colstrip, Montana	Centralia, Washington
Fuel	Nuclear	Coal	Coal	Coal
Megawatt Capability	1,104	530	1,440	1,310
PGE % Interest	67.5	65.0	20.0	2.5
Plant In Service	$549,950	$351,246	$442,738	$8,883
Accumulated Depreciation	$233,035	$130,035	$125,462	$4,583

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

Note 13. Rate Matters

PGE had sought judicial review of three rate matters related to a 1987 general rate case. In 1989, PGE reserved $89 million for an unfavorable outcome of these matters. In July 1990, PGE reached an out-of-court settlement with the PUC on two of the three rate matter issues being litigated. As a result of the settlement, $16 million was restored to income in 1990. The settlement resolved the dispute with the PUC regarding treatment of accelerated amortization of certain investment tax credits (ITC) and 1986-1987 interim relief. As a settlement of the interim relief issue, PGE began refunding to customers approximately $17 million over a 12-month period beginning November 1, 1991.

The settlement, however, did not resolve the Boardman/Intertie gain issue, which the parties continue to litigate. PGE's position is that $29 million of the gain should be allocated to customers. The 1987 rate order allocated $79 million of the gain to customers over a 27-year period. PGE has fully reserved this amount, which is being amortized over a 27-year period in accordance with the 1987 rate order. The unamortized gain, $76 million at December 31, 1991, is shown as "Regulatory reserves" on the balance sheet. In the event that a final decision and subsequent ratemaking action supports PGE's position on this issue, PGE will recognize related income, as appropriate.

In 1991, the Utility Reform Project (URP) petitioned the PUC to reconsider the order approving the settlement. The Oregon legislature subsequently passed a law clarifying the PUC's authority to approve the settlement. As a result, the PUC issued an order implementing the settlement. URP has filed an appeal in Multnomah County Circuit Court to overturn the PUC's order implementing settlement.

In addition, The Citizen's Utility Board (CUB) filed a complaint in 1991 in Marion County Circuit Court seeking to modify, vacate, set aside or reverse the PUC's order implementing settlement. The Oregon Department of Justice filed an answer to the CUB's complaint denying that the PUC's action was unlawful and has moved to consolidate this case with the URP case.

While the ultimate disposition of these matters may have an impact on the results of operations for a future reporting period, management believes, based on discussion of the underlying facts and circumstances with legal counsel, these matters will not have a material adverse effect on the financial condition of Portland General.

Barbara Buckley, Corporate Librarian. • Buckley heads Access for All, the Company group at the forefront of leading PGC toward compliance with the Americans With Disabilities Act. "ADA is an opportunity for PGC to allow equal, not special, access for people with disabilities."

Note 14. Legal Matters

WNP COST SHARING — PGE and three other investor-owned utilities (IOUS) are involved in litigation surrounding the proper allocation of shared costs between Washington Public Power Supply System Units 1 and 3 and Units 4 and 5. A court ruling issued in May 1989 stated that Bond Resolution No. 890, adopted by the Supply System, controlled disbursement of proceeds from bonds issued for the construction of Unit 5, including the method for allocation of shared costs. It is the IOUS' contention that at the time the project commenced there was agreement among the parties as to the allocation of shared costs and that this agreement and the Bond Resolution are consistent such that the allocation under the agreement is not prohibited by the Bond Resolution.

In October 1990, the US District Court, in granting a motion by Chemical Bank for an accounting of the cost of facilities shared between Units 3 and 5, ruled that the proper methodology for the allocation of shared costs "required the application of principles akin to those espoused by Chemical Bank." The Court stated that as a result, Unit 5 "apparently bore more than its fair and equitable share of construction costs." PGE and the IOUS appealed the judge's order to the Ninth Circuit Court of Appeals.

On February 25, 1992, the Court of Appeals reversed the US District Court's decision on the method of allocation of shared costs. The Court of Appeals ruled that shared costs between Units 3 and 5 should be allocated in proportion to benefits under the equitable method supported by PGE and the IOUS.

BONNEVILLE PACIFIC — Two separate class action suits were filed in U.S. District Court of Oregon on behalf of the public shareholders and debenture holders of Bonneville Pacific alleging violations of federal securities laws, negligent misrepresentation, and breach of common law fiduciary duty by Portland General, Holdings, and certain individual defendants affiliated with Portland General. The amount of damages are not specified.

Holdings filed a complaint in Salt Lake County (Utah) District Court charging Deloitte & Touche and certain individuals associated with Bonneville Pacific with "misrepresenting the financial condition" of Bonneville Pacific. Holdings' complaint alleges that it relied on fraudulent statements and omissions by Deloitte & Touche and the individual defendants when acquiring a 46% interest in and making loans to Bonneville Pacific starting in September 1990. Holdings is seeking approximately $228 million in damages.

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

SUMMARY — While the ultimate disposition of these matters may have an impact on the results of operations for a future reporting period, management believes, based on discussion of the underlying facts and circumstances with legal counsel, these matters will not have a material adverse effect on the financial condition of Portland General.

Dave Johnson, Senior Forester, Landscape Services. • Johnson led team efforts to help community groups plant "the right trees in the right places." "Planning before planting, especially under overhead lines, reduces pruning costs and helps trees enhance the environment and provide energy-saving shade."

Quarterly Comparisons

(Dollars in Thousands)	March 31	June 30	September 30	December 31
Portland General Corporation				
Quarterly Comparison for 1991 and 1990 (Unaudited)				
1991				
Operating revenues	$233,161	$199,970	$205,752	$251,052
Net operating income	53,882	26,881	22,437	33,438
Net income (loss)[1]	31,654	5,117	(45,192)	(41,446)
Common stock				
Average shares outstanding	46,148,919	46,269,275	46,390,714	46,523,478
Earnings (loss) per average share[3]	$.69	$.11	$(.97)	$(.87)
1990				
Operating revenues	$240,159	$184,668	$188,002	$239,276
Net operating income	58,260	24,034	37,470	56,693
Net income[2]	36,537	2,337	31,900	29,178
Common stock				
Average shares outstanding	46,123,618	46,129,748	46,136,530	46,143,320
Earnings per average share[3]	$.79	$.05	$.69	$.63

[1] The third quarter of 1991 includes a charge of $45 million resulting from the write-off of Holdings' equity investment in Bonneville Pacific Corporation. The fourth quarter of 1991 includes a $25 million, net of tax, loss from independent power and a $29 million, net of tax, reserve for discontinued real estate operations. Portland General has decided to no longer pursue development in the independent power and real estate businesses. See Note 2, Real Estate – Discontinued Operations, and Note 3, Loss From Independent Power, in the Notes to the Financial Statements for further details.

[2] In the third quarter of 1990, $16 million was restored to income for settlement of certain rate matters. See Note 13, Rate Matters, in the Notes to the Financial Statements for further details.

[3] As a result of dilutive effects of shares issued during the period, quarterly earnings per share cannot be added to arrive at annual earnings per share number.

Market for the Registrant's Common Equity and Related Stockholder Matters

Portland General's common stock is publicly held and traded on the New York and Pacific Stock Exchanges. The table below reflects the dividends on Portland General's common stock and the stock price ranges as reported by *The Wall Street Journal* for 1991 and 1990.

	1991				1990			
Quarter	1st	2nd	3rd	4th	1st	2nd	3rd	4th
High	18⅜	18⅞	17⅞	17⅜	22⅛	18⅛	17⅜	18¼
Low	16½	17⅜	16⅜	12¾	16⅜	15⅞	14⅞	15¼
Closing price	18¼	17½	17	15⅞	17	17⅛	15	18
Cash dividends declared (cents)	30	30	30	30	30	30	30	30

At its February 1992 meeting, Portland General's Board of Directors declared a quarterly common stock dividend of $.30 per share.

The approximate number of shareholders of record as of December 31, 1991 was 55,899.

Preferred Stock of Subsidiary

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

	1991				1990			
Quarter	1st	2nd	3rd	4th	1st	2nd	3rd	4th
$2.60 High	29¼	29½	29¼	30¼	28	27¼	27¼	28¼
Low	26⅞	28	27¾	25½	25¼	26¼	25¾	25¾

Quarterly cash dividends were paid on each class of PGE's preferred stock at its stated rate during 1991 and 1990.

Selected Financial Data and Statistics

	1991	1990	1989	1988	1987	1981
Portland General Corporation						
Financial Comparisons						
Key Results (Thousands)						
Operating Revenues	$889,935	$852,105	$796,910	$756,314	$767,244	$594,789
Net Operating Income	$136,638	$176,457	$161,877	$191,711	$175,905	$184,479
Income (Loss) From Continuing Operations	$(20,698)[1]	$99,952[2]	$(9,900)[2]	$104,568	$91,973	$98,968
Discontinued Operations[3]	$(29,169)	—	$(17,033)	$(7,259)	$(13,986)	—
Extraordinary/Cumulative Effect Items[4]	—	—	—	—	$35,044	—
Net Income (Loss)	$(49,867)	$99,952	$(26,933)	$97,309	$113,031	$98,968
Earnings (Loss) per Average Common Share						
Continuing Operations	$(.43)	$2.17	$(.21)	$2.27	$1.99	$2.54
Discontinued Operations	(.63)	—	(.37)	(.16)	(.30)	—
Extraordinary/Cumulative Effect Items	—	—	—	—	.76	—
Earnings (Loss) Per Share	$(1.06)	$2.17	$(.58)	$2.11	$2.45	$2.54
Dividends Declared Per Share	$1.20	$1.20	$1.96	$1.96	$1.96	$1.71
Total Assets	$2,617,311	$2,631,571	$2,580,036	$2,518,717	$2,621,693	$2,293,243
Stockholders' Equity and Long-Term Debt (December 31)						
Common Stock Equity (Thousands)	$679,309	$771,415	$761,976	$878,894	$869,948	$703,990
Book Value Per Share	$15.25[5]	$17.49[5]	$16.52	$19.06	$18.86	$17.63
Dividends Paid Per Share	$1.20	$1.39	$1.96	$1.96	$1.86	$1.70
Average Shares Outstanding	46,333,096	46,133,303	46,112,255	46,103,648	46,804,506	39,024,435
Preferred Stock of Subsidiary (Thousands)	$150,104	$151,904	$153,704	$155,504	$109,104	$146,993
Dividend Requirement	$12,913	$13,073	$13,232	$12,055	$17,902	$13,373
Embedded Cost	8.5%	8.5%	8.5%	8.5%	8.7%	9.0%
Long-Term Debt (Thousands)	$926,902	$763,338	$816,751	$849,292	$892,316	$1,099,208
Interest	$76,792	$77,349	$79,421	$80,737	$90,197	$124,365
Embedded Cost	8.3%	8.2%	8.7%	8.5%	8.8%	[illegible]
Employee Data						
Number of Employees (December 31)	3,256	3,475	3,291	3,147	3,107	3,244
Operating Payroll (Thousands)	$109,479	$102,436	$93,063	$87,623	$85,321	$57,809
Construction and Other Payroll (Thousands)	$ 52,905	$46,354	$42,215	$34,424	$33,063	$33,134

[1]Includes a loss of $74 million from independent power. See Note 3, Loss From Independent Power, in the Notes to Financial Statements.

[2]Includes regulatory loss reserves of $89 million for certain rate issues in 1989 and a gain of $16 million for settlement of certain of these issues in 1990. See Note 13, Rate Matters, in the Notes to Financial Statements.

[3]Portland General discontinued its real estate operations. Current and prior years' amounts are not reflected in operating revenues and net operating income.

[4]Represents an adjustment resulting from a change in accounting principle. See Note 1, Summary of Significant Accounting Policies and Note 11, WNP-3 Settlement Exchange Agreement, in the Notes to the Financial Statements.

[5]Excludes contra-equity — Unearned Compensation. See Statement of Capitalization.

Selected Financial Data and Statistics

	1991	1990	1989	1988	1987	1981
PGE Electric Operations						
Sales and Customers						
Kilowatt-Hours Sold (Millions)						
Residential	6,548	6,311	6,159	5,924	5,553	5,349
Commercial	5,598	5,394	5,141	4,865	4,672	3,844
Industrial	3,612	3,632	3,508	3,326	3,178	3,695
Public street lighting	102	94	93	95	95	107
Billed to Customers	15,860	15,431	14,901	14,210	13,498	12,995
Unbilled	(145)	133	4	34	42	N/A
Retail	15,715	15,564	14,905	14,244	13,540	12,995
Wholesale	3,939	4,273	2,988	2,935	2,952	2,312
Total	19,654	19,837	17,893	17,179	16,492	15,307
Operating Revenues (Thousands)						
Residential	$314,124	$291,797	$293,722	$286,03[illegible]	$267,885	$212,463
Commercial	283,390	269,887	261,345	253,970	259,524	149,507
Industrial	135,631	133,780	133,331	127,948	128,191	116,295
Public street lighting	10,679	10,207	10,207	10,249	10,343	17,888
Billed to Customers	743,824	705,671	698,605	678,201	665,943	496,153
Accrued and Unbilled	4,448	11,716	(16,098)	(18,919)	25,718	N/A
Retail	748,272	717,387	682,507	659,282	691,661	496,153
Wholesale	131,605	121,272	92,323	83,206	66,360	98,636
Other	5,760	6,061	9,253	5,356	4,906	N/A
Total	$885,637	$844,720	$784,083	$747,844	$762,927	$594,789
Average Price Per Kilowatt-Hour, retail customers	4.76¢	4.61¢	4.58¢	4.63¢	5.11¢	3.82¢
Customers (At Year-End)						
Residential	526,699	512,913	496,165	484,293	476,481	443,414
Commercial	72,071	70,266	68,821	67,043	66,821	56,698
Industrial	186	193	196	193	191	197
Public street lighting	664	637	630	625	624	1,397
Wholesale	11	14	12	8	8	4
Total	599,631	584,023	565,824	552,162	544,125	501,710
Residential Service (Average per Customer)						
Annual Use (kilowatt-hours)	12,582	12,496	12,568	12,343	11,751	12,181
Annual Revenue	$603.55	$577.72	$599.38	$595.96	$566.88	$483.82
Price per Kilowatt-Hour	4.80¢	4.62¢	4.77¢	4.83¢	4.82¢	3.97¢
Power Supply						
Kilowatt-Hours Output (Millions)						
Generated (net)-Hydro	2,134	2,198	2,260	2,210	2,086	2,205
Generated (net)-Thermal	6,332	7,874	7,719	6,674	4,336	5,888
Purchased-Primarily Hydro	12,361	10,945	9,090	9,373	11,259	8,196
	20,827	21,017	19,069	18,257	17,681	16,289
Losses and Company Use	1,173	1,180	1,176	1,078	1,189	982
Total	19,654	19,837	17,893	17,179	16,492	15,307
System Peak Load Winter (Thousands of Kilowatts)	3,136	3,698	3,519	2,893	2,809	2,687
Utility Plant						
Gross Additions (Thousands)	$139,522	$109,116	$121,035	$85,634	$75,922	$294,651
Gross Plant (Thousands)	$3,018,199	$2,891,171	$2,789,173	$2,677,236	$2,607,708	$2,413,600

Officers

PORTLAND GENERAL CORPORATION

Ken L. Harrison
*Chairman of the Board and Chief Executive Officer**

Richard G. Reiten
President

Leonard A. Girard
*Senior Vice President, General Counsel and Secretary**

Joseph M. Hirko
*Vice President, Finance, Chief Financial Officer, Chief Accounting Officer and Treasurer**

Charles L. Heinrich
Senior Vice President

Don F. Kielblock
*Vice President, Human Resources**

*Portland General Corp. and PGE

PORTLAND GENERAL ELECTRIC

E. Kay Stepp
President

Alvin Alexanderson
Vice President, Rates and Regulatory Affairs

Clark A. Anderson
Vice President, Management Action Program

David K. Carboneau
Vice President, Administration

James E. Cross
Vice President and Chief Nuclear Officer

Richard E. Dyer
Vice President, Marketing and Power Supply Planning

Peggy Fowler
Vice President, Power Production

Fred Lamoureaux
Vice President, Utility Services

POWERLINK

John R. Zanot
President

Board of Directors

Gwyneth Gamble Booth
Television producer/reporter; community activist; media consultant and Board Chairman of Neighborhood Partnership Fund of Oregon Community Foundation, Oregon Public Broadcasting, Portland, OR. Director since 1981†.

Peter J. Brix
Chairman and Chief Executive Officer, Brix Maritime Co., Portland, OR (Maritime Transportation); Director of Idaho Forest Industries and a Trustee of Willamette University. Director since 1983†.

Edward L. Clark Jr.
Partner, Clark, Lindauer, McClinton, Fetherston & Edmonds, Salem, OR (Attorneys). Director since 1986†.

John W. Creighton Jr.
President, Chief Executive Officer and Director, Weyerhaeuser Co., Tacoma, WA (Forest Products). Director since 1990.

Ken L. Harrison
Chairman and Chief Executive Officer, Portland General Corp. and PGE. Director since 1987.

Dr. Jerry E. Hudson
President, Willamette University, Salem, OR. Director since 1984†.

C. Calvert Knudsen
Director and Retired Chairman and Chief Executive Officer, MacMillan Bloedel Limited, Vancouver, BC, Canada (Integrated Forest Products). Director since 1986.

Warren E. McCain
Director and Chairman of the Executive Committee, Retired Chairman of the Board and Chief Executive Officer, Albertson's, Inc., Boise, Idaho (Retail Food and Drugs). Director since 1989.

Randolph L. Miller
President, Milcor, Inc. dba The Moore Co., Portland, OR (Office Products Distribution). Director since 1987.

Richard G. Reiten
President, Portland General Corp. Director since 1990 (also from 1983-1987).

Robert W. Roth
Retired President and Chief Executive Officer, Jantzen, Inc., Portland, OR (Sportswear and swimwear). Director since 1972†.

Bruce G. Willison
Chairman, President and Chief Executive Officer, First Interstate Bank of California, Los Angeles, CA. Director since 1989.

†Includes time served on the Board of Portland General Electric Company.

William W. Gallagher 1931-1991
Portland General Corp. lost a good friend and a valuable Director in 1991 with the death of William W. "Bill" Gallagher. An investment banker, Mr. Gallagher was a highly regarded member of Portland's business and civic communities. He formed Gallagher Capital Corp. in 1973, turning it into a leader in institutional trading. Mr. Gallagher joined Portland General as a Director in 1986 and quickly became a respected advisor and strong shareholder advocate. He will be greatly missed.

Shareholder Information

Shareholder Services

Inquiries involving dividends, stock certificates, address changes, stock transfer and other administrative matters should be directed to our Transfer Agent, First Chicago Trust Company of New York (FCT). To expedite your inquiry at FCT, have your account number and social security number readily available. Also mention that you are a shareholder of Portland General Corp., or PGE. The mailing address and phone number is:

First Chicago Trust Company of New York
Shareholder Relations Department
PO Box 3981
Church Street Station
New York, New York 10008-3981
(212) 791-6422

Dividend Reinvestment Plan

Portland General common shareholders of record are eligible to participate in the Dividend Reinvestment Plan (Plan). This is a convenient way for shareholders to increase their investment in Portland General Corporation. New common shareholders of record (not "street name" holders) automatically receive Plan information when they become shareholders.

Existing shareholders can open a dividend reinvestment account with either dividends from existing shares or with an initial cash contribution accompanied by a Plan authorization form.

Under the Plan, quarterly cash dividends plus optional cash payments may be applied toward the purchase of additional shares of common stock. Optional cash payments can be a minimum of $25.00 up to a maximum of $6,000.00 per quarter.

All, or any portion of the reinvested shares can be sold through the Plan upon termination of participation. Portland General pays the administrative costs of the Plan, but participants pay a discounted brokerage commission as part of the cost of common stock purchased or sold in open market transactions.

Shareholders wanting more detailed information may receive a copy of the Plan Prospectus and an Authorization Form. The Prospectus contains information regarding enrollment, optional cash payments, withdrawals, and terminations. Please contact the Plan Agent listed below:

First Chicago Trust Company of New York
Dividend Reinvestment Plan
PO Box 3506
Church Street Station
New York, New York 10008-3506
(212) 791-6422

Stock Exchange Listings

Common Stock of Portland General is listed on the New York and Pacific Stock Exchanges and is quoted in the daily stock tables of *The Wall Street Journal* under the notation PortlndGen. Most other newspapers use the notation PortGC.

PGE $2.60 Series Cumulative Preferred Stock is publicly traded and listed on the New York Stock Exchange. The Wall Street Journal lists this stock under the notation PortlndGen pf, while most other newspapers use the notation PorG pf.

Dividend Payment Dates

The Board of Directors has historically declared quarterly common and preferred stock dividends *payable* on the fifteenth of the months of January, April, July and October.

Investor Publications

Copies of Portland General shareholder reports and the Portland General Fact Book may be obtained by written request to the Shareholder Services Department at the following address:

Portland General Corp.
or Portland General Electric Co.
Shareholder Services Department
One World Trade Center
121 S.W. Salmon St.
Portland, Oregon 97204
Phone: (503) 464-8599

Form 10-K

Portland General's and PGE's annual report to the Securities and Exchange Commission (Form 10-K) is available upon written request to Shareholder Services, at the above address.

Executive Offices

Portland General Corp. or
Portland General Electric Co.
One World Trade Center
121 S.W. Salmon St.
Portland, Oregon 97204
Phone: (503) 464-8820

Notice of Annual Meeting

The 1992 annual meeting of Portland General Corp. common shareholders will be:

Tuesday, April 28, 1992
2:00 p.m.
PGE's Western Region Center
14655 S.W. Old Scholls Ferry Road
Beaverton, Oregon 97007

Common shareholders of record at the close of business on March 11, 1992 will be entitled to vote. All common shareholders are welcome to attend.

Designer: Joseph Erceg
Photographer: C. Bruce Forster
Portraits: Barrett Rudich
Printer: Rono Graphic Communications
Typography: Evans Typographers
PGE staff – Writer and Project Manager: Michael Tevlin
Captions: Trudy Hussmann
Financial Section: Portland General,
Accounting & Finance departments.

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Portland General Corporation
One World Trade Center
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