

September 25, 2002

City of Portland  
City Hall  
Portland, Oregon 97204  
Attn: Timothy Grewe  
Chief Administrative Officer

Ladies and Gentlemen:

Enron Corp. (the "Parent") is proposing to sell, or to cause certain of its subsidiaries or controlled affiliates (the "Seller" or "Sellers") to sell in a negotiated transaction (a "Transaction"), Portland General Electric Company and PGH II, Inc. (together, the "Businesses"). The City of Portland (the "City") has expressed an interest in pursuing a potential acquisition of the Businesses.

In connection with the evaluation of the Businesses by the City, the Parent or its Representatives (as hereinafter defined) may furnish to the City and its Representatives (as hereinafter defined), through inspection of a data room, access to a web site or otherwise, written, visual or oral information, material and documents regarding the Parent and the Seller or Sellers and the business, assets, financial condition, results of operations and prospects comprising the Businesses. Such information, material and documents regarding the Businesses furnished by the Parent or its Representatives to the City or its Representatives, irrespective of the form of communication, and all notes, analyses, compilations, forecasts, data, translations, studies, memoranda or other documents prepared by the City or its Representatives, that contain or otherwise reflect such information, material or documents are herein called the "Evaluation Material". The term "Evaluation Material" does not include information that (i) is or becomes generally available to the public, other than as a result of a disclosure by the City or its Representatives in violation of this Letter Agreement, (ii) the City can demonstrate was within the possession of the City prior to its disclosure by the Parent or its Representatives (whether before or after the date of this Letter Agreement) or (iii) the City can demonstrate was or becomes available to the City or its Representatives from a source other than the Parent or its Representatives; *provided, however*, that, in the cases of clauses (ii) and (iii), the source of such information was not known by any of the City or its Representatives to be bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, the Parent or any of its affiliates with respect to such information.

As a condition to the furnishing of Evaluation Material, the parties hereto agree as follows:

1. For a period of two years from the date hereof, all Evaluation Material shall be used by the City solely for the purpose of evaluating, negotiating and consummating a possible Transaction and not for any other purpose and, unless otherwise agreed in a Definitive Agreement, shall not be disclosed by the City to any other person; *provided, however*, that, any of the Evaluation Material may be disclosed to the Representatives of the City, but then only to the extent necessary or appropriate to assist the City in evaluating, negotiating and consummating a possible Transaction, it being understood that (a) Representatives of the City consisting of council members, officers and employees of the City and listed on *Annex A* hereto (collectively, the "City Related Representatives") shall (1) be informed of the confidential and proprietary nature of the Evaluation Material, (2) be directed to treat it confidentially and not to use it other than for the purposes described above, (3) acknowledge in writing the confidential nature of the Evaluation Material, (4) agree to abide by the use and disclosure restrictions hereof, and (5) agree that the Parent shall have the right to enforce all rights and remedies of this Letter Agreement directly against such person as if such person was a party to this Letter Agreement, (b) in any event, the City shall be responsible for any breach of this Letter Agreement by any of such City Related Representatives, and (c) neither the City nor any of its Representatives shall disclose Evaluation Material to any Representative of the City that is not a City Related Representative unless and until such Representative has executed and delivered one or more supplements to this Letter Agreement or one or more confidentiality agreements substantially similar in form and substance to this Letter Agreement, in each case, that is acceptable to the Parent. Any written purchase and sale agreement with respect to the Transaction duly executed and delivered by the Parent or the Seller or Sellers, or both, and the City or its designee is herein referred to as a "Definitive Agreement". For purposes of this Letter Agreement, the term "Representatives" of (y) the Parent, shall mean the directors, officers, employees, agents and advisors of that party or of any parent of, subsidiary of, or other entity controlled by or under common control with, said party (including without limitation independent attorneys, accountants, consultants, lenders and financial advisers), and (z) the City, shall mean the council members, officers, employees, agents and advisors of the City (including without limitation independent attorneys, accountants, consultants, lenders and financial advisers), in each case, that are listed on *Annex A* hereto as such annex may be amended or supplemented with additional Representatives from time to time by the City with notice to the Parent.

2. Without the prior written consent of the Parent, the City will not (a) disclose, and will not permit its Representatives to disclose, to any person other than the City's Representatives and those permitted hereunder to have access to the Evaluation Material (i) when or whether the Evaluation Material has been made available to the City or when or whether the City has inspected any portion of the Evaluation Material, (ii) when or whether discussions or negotiations have taken place, are taking place or are proposed to take place concerning a possible Transaction or (iii) any of the terms, conditions or other facts with respect to any such possible Transaction, including the status thereof or the City's interest in a Transaction or (b) except in the ordinary course of business, and not as a part of a proposed Transaction discuss, or permit its Representatives to discuss, the Businesses with any customer, supplier, counterparty, employee or other person that is directly involved with a Business, except, in each case, to the extent that legal counsel for the City or its

Representatives have determined that such disclosure or discussion is required by applicable law, rule or regulation (not enacted specifically with an intended result that Evaluation Material would be disclosed) (collectively, "Applicable Law"), and only after prior written notice thereof to the Parent as promptly as practicable under the circumstances. The City shall, and shall cause its Representatives to, take all reasonable steps to maintain confidential treatment of any such disclosed information by the recipient.

3. Without the prior written consent of the City, the Parent will not disclose, and will not permit its Representatives to disclose, to any person other than the Parent's Representatives and those persons permitted hereunder to have access to the Evaluation Material (a) when or whether the Evaluation Material has been made available to the City or when or whether the City has inspected any portion of the Evaluation Material or (b) when or whether discussions or negotiations with the City have taken place, are taking place or are proposed to take place concerning a possible Transaction, except, in each case, (i) to the extent that legal counsel for the Parent or its Representatives has determined that such disclosure is required by applicable law, rule or regulation (ii) that the Parent, its affiliates, and their respective Representatives may make any such disclosure (A) to the statutory committee of unsecured creditors in the chapter 11 cases of the Parent and certain of its affiliates or to the advisers of such statutory committee, (B) to the bankruptcy court with jurisdiction over the chapter 11 cases of the Parent or its affiliates, or (C) in accordance with any order or direction of such bankruptcy court, (D) to any co-owner of a Business in order to obtain a consent or comply with a right of first offer or similar provision, or (iii) as otherwise determined by the Parent or any of its affiliates, in good faith after consultation with its attorney, to be necessary for the Parent or its affiliate, as applicable, to fulfill its duties and obligations as a debtor in possession under chapter 11 of the U.S. Bankruptcy Code, but, in the case of disclosure pursuant to clause (i) or (iii), only after prior written notice thereof to the City as promptly as practicable under the circumstances.

4. The City and the Parent acknowledge and agree that (a) the Evaluation Material will be submitted to the City or its Representatives on the condition that it will be kept confidential, (b) neither the Parent nor its Representatives are required by law to submit the Evaluation Material to the City, (c) it is reasonable to require that the Evaluation Material be kept confidential, (d) the City has obliged itself in good faith not to disclose the Evaluation Material, (e) the public interest would suffer by the disclosure of the Evaluation Material, and (f) they will not take any position that is inconsistent with any of the foregoing in any forum.

5. If either the City or any of its Representatives are requested or required (by oral question, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) by any court or governmental agency or authority (including, without limitation, the Multnomah County District Attorney) or any person or entity to disclose any of the Evaluation Material, (a) the entity or person receiving such request or demand will use all reasonable efforts to provide the Parent with written notice of such request or demand as promptly as practicable under the circumstances so that the Parent shall have an opportunity to seek an appropriate protective order, and (b) the City agrees to take, and to cause its Representatives to take, at the Parent's expense, all other reasonable steps necessary to prevent disclosure of the Evaluation

Material (including, without limitation availing itself of all procedural and litigation options authorized or permitted by the Oregon public records laws or any similar law) or, if the information is required to be disclosed, confidential treatment by the recipient. If either the City or any of its Representatives are advised by their legal counsel that disclosure of any of the Evaluation Material is required by Applicable Law, the City shall give prior written notice thereof to the Parent as promptly as practicable under the circumstances, shall disclose only such Evaluation Material as the City's legal counsel advises is required by such Applicable Law, and shall take all reasonable steps, at the Parent's expense, to maintain confidential treatment of such Evaluation Material by the recipient. Any disclosure of Evaluation Material made by the City or any of its Representatives in compliance with this paragraph shall, notwithstanding the absence of a protective order, be without liability hereunder, but neither the City nor such Representatives shall be relieved of any liability hereunder for any previous disclosure by the City or any of its Representatives that was not permitted by this Letter Agreement.

6. All Evaluation Material shall be and remain the property of the Parent and its affiliates. Within 15 days after the receipt of a written request by the Parent, the City shall, and shall cause its Representatives to, redeliver to the Parent all Evaluation Material that the City and its Representatives have received from the Parent, including without limitation all copies, extracts or other reproductions of such Evaluation Material, and the City shall, and shall cause its Representatives to, not retain any Evaluation Material prepared by them based upon the Evaluation Material supplied by the Parent (including all written material, memoranda, notes and other writings or recordings whatsoever).

7. The City understands and acknowledges that, except to the extent of any representations and warranties contained in a Definitive Agreement, any and all information contained in the Evaluation Material, and any other information furnished by the Parent, its affiliates, or any of their respective Representatives, in connection with a proposed Transaction, is being or will be provided by the Parent without any representation or warranty, express or implied, as to the accuracy or completeness of the Evaluation Material so provided. Neither the Parent nor any of its affiliates, or any of their respective Representatives, shall have any liability to the City or its Representatives relating to or arising from the use of or reliance upon any Evaluation Material or any errors or omissions therein.

8. The City acknowledges that the Parent and various affiliates of the Parent are subject to executory confidentiality obligations relating to the Businesses and that access of the City and its Representatives to Evaluation Material may be contingent upon execution and delivery of a supplement to this Letter Agreement that will require the City and its Representatives to maintain confidentiality of that Evaluation Material in a manner similar to that required of the Parent or such affiliates of the Parent. The City acknowledges that the Parent and the Sellers are relying on the agreements of the City contained herein in relation to the Parent's or a Seller's compliance with its confidentiality obligations and that any breach of these agreements by the City may cause the Parent or the Sellers to become liable for breaches under such confidentiality obligations.

9. In consideration of the Evaluation Material being furnished to the City, the City hereby agrees that, for a period of six months from the date hereof, unless otherwise provided in a Definitive Agreement, the City will not solicit to employ any of the current officers or employees of the Parent or its affiliates of whom the City or its Representatives first became aware during the City's investigation of the Businesses in connection with a proposed Transaction, without obtaining the prior written consent of the Parent; provided, however, that any such solicitation shall not be deemed a breach of this Letter Agreement if (a) the personnel who performed such solicitation have no knowledge of any Evaluation Material and (b) none of the personnel of the City who have knowledge of any Evaluation Material have actual advance knowledge of any such solicitation. The term "solicit to employ" shall not include, nor be deemed to include, (i) employment actions following contact by an officer or employee of the Parent or its affiliates who contacts the City on his or her own initiative without any encouragement from the City or (ii) general solicitations of employment not specifically directed towards employees of the Parent or its affiliates.

10. Each party to this Letter Agreement acknowledges that money damages would not be a sufficient remedy for any breach of this Letter Agreement and that without prejudice to any rights or remedies at law or in equity otherwise available to a party to this Letter Agreement, each party hereto shall, if the other party hereto breaches any provision of this Letter Agreement, be entitled to injunctive relief, specific performance or other appropriate equitable remedies for any such breach. No failure or delay by a party to this Letter Agreement in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS LETTER AGREEMENT, THE CITY AND THE PARENT EXPRESSLY AGREE THAT IN NO EVENT SHALL EITHER PARTY BE LIABLE OR RESPONSIBLE FOR OR BE REQUIRED TO PAY TO THE OTHER PARTY, AND EACH PARTY HERETO HEREBY WAIVES, ANY AND ALL SPECIAL, PUNITIVE, CONSEQUENTIAL OR EXEMPLARY DAMAGES UNDER OR IN RESPECT OF THIS LETTER AGREEMENT.

11. This Letter Agreement shall be construed and enforced in accordance with, and governed by, the laws of the State of Oregon (without regard to any conflicts of law provisions that would require the application of the law of any other jurisdiction).

12. This Letter Agreement may be executed in any number of counterparts, each of such counterparts shall for all purposes be deemed an original and all such counterparts shall together constitute but one and the same instrument.

Please indicate your agreement with the foregoing by executing this Letter Agreement and returning it to us, whereupon it shall constitute a binding agreement between us as of the date first above written.

Very truly yours,

ENRON CORP.

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

Confirmed and Agreed To:

THE CITY OF PORTLAND, OREGON

By: \_\_\_\_\_  
Name: Timothy Grewe  
Title: Chief Administrative Officer

## ANNEX A

### City's Representatives

#### City Related Representatives

Mayor Vera Katz  
Judy Tuttle  
Sam Adams  
Sarah Bott  
Commissioner Erik Sten  
Kathleen Gardipee  
Bob Durston  
Commissioner Dan Saltzman  
Aisling Coghlan  
Commissioner Jim Francesconi  
Kevin Jeans-Gail  
Tim Grewe  
Ken Rust  
Steve Manton  
Susan Schreiber  
DeAnn Kamish  
Mary Volm  
Linda Meng  
Jeff Rogers  
Ben Walters  
Susan Anderson  
Marge Kafoury

#### Other City Representatives

Ater Wynne LLP  
Preston Gates & Ellis LLP  
David R. Jubb  
Corey Byler Rew Lorenzen & Hojem  
Public Financial Management, Inc.  
R.W.Beck, Inc.  
Regional Financial Advisors, Inc.