



Portland General Electric Company

Legal Department

121 SW Salmon Street • Portland, Oregon 97204

(503) 464-8860 • Facsimile (503) 464-2200

J. Jeffrey Dudley

Associate General Counsel

October 12, 2005

Linda Meng, City Attorney
City of Portland
1221 SW 4th Avenue, Suite 430
Portland, OR 97204

Re: Requests for Information Pursuant to Portland Resolution No. 36337

Dear Ms. Meng:

Enclosed you will find responses to most of the requests contained in your Sept. 23 letter to Portland General Electric Company. We approached this request with a commitment to transparency, and have answered every question for which we have information immediately available or were able to assemble in the time provided. In a few cases, we are unable to answer the question because our records do not exist in a way that allows us to easily respond to the specifications of a request.

We understand that this data request originated from questions regarding PGE rates. First, it's important to note that PGE's rates are based on our costs to provide electricity. PGE's costs are carefully reviewed in our rate filings with the Oregon Public Utility Commission.

Second, PGE's rates are not the highest in the Northwest. In fact, they are below the national average and are comparable with our neighbor to the north, Clark Public Utilities. PGE's rates for large industrial customers are lower than Seattle City Light's published rates. While PGE's rates are currently higher than Pacific Power's, that has not always been the case. The major factor driving electricity prices today is the type and cost of fuel used to produce electricity.

Coal, which currently is one of the lowest-cost fuel sources, makes up about 70 percent of Pacific Power's resource mix. PGE's resource mix includes more natural gas-fired plants and wholesale power purchases, which are at this time significantly more expensive. Today, the price of wholesale power is more than double what it was 10 years ago, and the cost of natural gas to generate electricity has more than tripled in the same period.



Linda Meng, City Attorney

October 12, 2005

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All of this is well documented in PGE's rate filings with the Oregon Public Utility Commission, which gives all parties, including the City of Portland, an opportunity to participate in the rate-setting process. Looking ahead, in order to stabilize rates, PGE will generate more of its own power and is signing long-term power supply contracts including contracts for the purchase of renewable energy.

Many of your questions focus on tax collections and payments. For several years, we paid our income taxes to our parent company, which consolidated PGE's taxable income with those of its other subsidiaries. Since the losses of other Enron subsidiaries offset PGE's income, the consolidated group ultimately reduced its income tax liability. In doing this PGE followed all state and federal tax laws. However, it is useful to note that tax consolidation will be history as soon as PGE issues new common stock in April 2006.

We're looking forward to stock issuance, when PGE becomes independent of Enron, paying taxes as a stand-alone company. More than anyone, the employees of PGE are looking forward to putting Enron ownership behind us.

Please contact me if you require any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read 'Linda Meng', with a long horizontal flourish extending to the right.

JJD:mmd
Enclosures

October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

**PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 001**

Request:

For the Designated Tax Years, segregated by tax year, please state the amount you collected from

- (a) all of your customers, and**
- (b) from only your customers located within the municipal boundaries of Portland, for payment of Federal Income Taxes.**
- (c) Please produce all documents utilized or referred to in determining the answers to interrogatory number 1 above.**

Response:

Portland General Electric Company (PGE) knows of no generally accepted accounting or regulatory conventions that answer this question.

(a) The specific rates that PGE is authorized to charge customers are in the form of tariff sheets approved by the Oregon Public Utility Commission (OPUC). The approved tariff sheets are designed to collect an amount equal to a test year revenue requirement (based on a projected amount of customer electricity usage) for PGE that the OPUC finds to be just and reasonable. A copy of PGE's current tariff sheets is included as Attachment 001-A.

Development of PGE's overall revenue requirement

In a recent filing in OPUC Docket UE 88, PGE Director of Regulatory Policy and Affairs, Mr. Randy Dahlgren, explains how overall revenue requirements are developed;

"Revenue requirements are typically based on the utility's cost of providing service over a 12-month operating called a "test period" or "test year". ... The costs include operating

and maintenance costs, depreciation and amortization, taxes, interest, and return on equity.”

(PGE Exhibit, 6100, pg. 4 lines 8-12)

Relationship between tariff rates and test year estimated costs

After the test year revenue requirement is translated into specific rates, there is no direct correlation between the prices listed in the tariff and a particular cost element in revenue requirements. For example, the tariff sheets do not separately list or charge for the natural gas or property taxes which, with all the other costs required for generating and delivering electricity to PGE customers, are a part of PGE’s overall revenue requirement.

As Mr. Dahlgren further explained,

“The rate case process is designed to develop a set of rates based on a set of costs. However, absent a tracking mechanism such as a power cost adjustment (PCA), or a deferral, once rates are established, they remain in effect until changed. We know that actual costs and customer loads will vary from those used to determine rates. We do not, however, go back and change rates that have been charged. Even when there is a tracking mechanism (e.g., power cost adjustment) rate changes are made prospectively – not retroactively. Customers and utilities need to know the rates that are in effect when they make decisions and not one year or two years or more down the road.

...

It should be clear, however, that once we step out of the ratemaking setting into the “real world” of actual costs and actual revenues, the tie between costs and tariff rates is broken. Let me give an example. Suppose that in a general rate case, the Commission determines that an appropriate estimate of annual maintenance costs of overhead lines is \$25 million, that local property taxes are expected to be \$30 million, and that meter reading expenses will be \$4 million. And, as I’ve described, tariff rates are designed based on these costs. During the year after new rates become effective, however, weather conditions are relatively mild – there is not the normal level of wind damage – and maintenance of overhead lines is actually \$22.5 million. On the other hand, voters pass some additional property tax levies, and actual property taxes are \$32 million. Actual meter reading expenses are \$4.5 million. In this case, if we assume that loads and all other costs are exactly as forecast, we can say that customers “paid” the correct amount for the total of overhead maintenance, property taxes, and meter readings, but the amount for each is unclear. Now, if we consider the actual situation where loads and essentially all cost elements are different from those used to set rates, the problem of identifying the tie between tariff rates and particular costs truly becomes indeterminate.”

(PGE Exhibit 6100, pg. 11, line 8 – pg. 12, line 17)

A copy of Mr. Dahlgren’s testimony is included as Attachment 001-B.

Unique nature of income taxes

The tie between income taxes and tariff rates is more complicated because income taxes are different from other revenue requirement components. Income taxes are "derived" expenses. That is, income taxes in the test year revenue requirement depend on test year expected levels of taxable income and tax credits which in turn are based on test year assumptions of revenue, expense and other components.

Federal Income Taxes "collected" from Customers

Because of this "derived" nature of income taxes, and the impossibility of tying any component of test year expense to tariff rates, PGE believes the actual amount of Federal Income Taxes "collected" from customers is not determinable. Instead it can only be estimated given a set of assumptions and allocation techniques. Again, PGE knows of no generally accepted accounting or regulatory conventions that answer this question.

Estimates of Income Tax "collected" in utility rates

One reasonable estimate for an answer to this question is the amount of federal income taxes computed using PGE's actual revenues and expenses related to Oregon regulated operations for each of the Designated Tax Years. This estimate would involve the following steps:

- 1) PGE's gross revenues from Oregon retail operations would need to be determined separately.
- 2) PGE's operating expenses related to Oregon regulated operations would need to be determined separately. Adjustments would be needed for expenses disallowed by the OPUC.
- 3) PGE's depreciation expense for assets used for Oregon regulation operations would need to be determined.
- 4) PGE's interest expense on money borrowed to finance assets used for Oregon retail operations would need to be determined.
- 5) Tax credits for activities related to Oregon regulated operations would need to be determined. Adjustments would be needed for tax credits related to investments or activities not included in the test year.
- 6) Federal Income taxes would need to be computed from the amounts as determined above in a manner comparable to the tax computation used in rate cases.

PGE has provided copies of its 1997-2004 Annual Report of Operations which approximate the estimate described above as Attachment 001-C.

Another estimate of the amount of taxes "collected" from customers is contained in the tax report to the OPUC that is required under the recently passed SB 408.

PGE does not believe that either of the two methods accurately computes either the "amount paid by customers" or "the amount authorized to collect" because the conditions and events are so different from the forecasted test year.

(b) PGE knows of no generally accepted accounting or regulatory conventions that answer this question.

See the discussion in response to (a) above.

PGE discusses one method that should allocate a reasonable estimate of Federal Income Taxes "collected" from all its customers above. To make this estimate for customers located in the City of Portland would require an extensive cost of service study at the City of Portland level.

The City of Portland cost study would require, among other things:

- 1) PGE's gross revenues from customers in the City of Portland would need to be determined separately.
- 2) PGE's operating expenses related to the City of Portland regulated operations would need to be determined separately. This would require a direct assignment of expenses directly made for the City of Portland and an allocation to the City of Portland of common expenses incurred for all customers. Adjustments would be needed for expenses disallowed by the OPUC.
- 3) PGE's depreciation expense for assets used by the City of Portland would need to be determined. This would require the direct assignment of assets within the city limits and an appropriate allocation of common assets used by all PGE customers. For example, allocations of PGE's generating plants, line crew centers, and transmission lines would need to be developed and applied.
- 4) PGE's interest expense on money borrowed to finance assets used by the City of Portland would need to be determined. This would require a similar asset allocation as suggested above.
- 5) Tax credits for activities related to the City of Portland would need to be determined. Adjustments would be needed for tax credits related to investments or activities not included in the test year.
- 6) Federal Income taxes would need to be computed from the amounts as determined above in a manner comparable to the tax computation used in rate cases.

PGE has not performed this cost of service study for the City of Portland. Such a study, would be expensive, take significant time and ultimately require subjective judgments on many issues.

Should the City feel it needs clarification of the information supplied or additional information, please direct those inquiries to Jay Dudley, Associate General Counsel.

October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 002

Request:

For the Designated Tax Years, segregated by tax year, please state the amount of Federal Income Taxes you were authorized by the OPUC to collect from

- (a) all of your customers, and**
- (b) only your customers located with the municipal boundaries of Portland.**
- (c) Please produce all documents utilized or referred to in determining the answers to interrogatory number 2 above.**

Response:

a) See PGE's answer to City of Portland Data Request No. 001 for PGE's discussion on how tariff rates are developed from PGE's test year revenue requirement.

In setting rates for PGE, the OPUC has followed a policy of establishing revenue requirements, including income tax expense, on a stand-alone basis. This policy was described by the OPUC in their Order No 03-214, provided as Attachment 002-A. The test year expenses approved by the OPUC for income taxes represent PGE's anticipated income tax expense as if PGE were a stand-alone entity (*i.e.*, without a corporate parent or subsidiaries) and if each of the forecasted components of PGE's test year revenue requirement was actually realized without variance.

During the period 1997 through 2004, PGE's base tariff rates fell under two different rate orders. First, during the period 1997 through September 30, 2001, PGE's rates were determined in Docket UE 100 (Order No. 96-306, provided as Attachment 002-B). That case established base rates using forecast costs that included \$86.1 million in annual income tax expense on a stand-alone basis, assuming all the components of the test year forecast were actually realized.

Second, for the period from October 1, 2001 through the present, PGE's base rates were determined in Docket UE 115 (Order No. 01-777, provided as Attachment 002-C). That case established rates using forecast costs that included \$75 million in annual income tax expense on a stand-alone basis, assuming all the components of the test year forecast were actually realized.

The breakdown between state and federal income taxes for UE 100 and UE 115 is provided as follows (dollars in millions): for net state income taxes, \$14.7 and \$12.1, respectively; for net federal income taxes, \$71.4 and \$62.9. Net tax figures include both current and deferred amounts.

We note that the results actually achieved in subsequent periods will usually differ from the assumptions used regarding components of the test year forecast. Many elements, including taxes, change over time, sometimes substantially.

PGE had several supplemental tariff sheets in place during this period. Their tax elements, if any, have not been computed and are not included in this response.

In addition, the income tax liability of a public utility will always vary from the test year income tax expense adopted by the OPUC. This variance is due to many factors, including: a) changes in utility revenues or expenses from those estimated in the test year, b) the effect of revenues and expenses not recognized or disallowed in rates, c) the effect of deferred taxes, and d) the effect of tax credits not included in test year.

The effect of deferred taxes is especially important to understand as they provide benefits to customers by reducing rate base. Basically, they serve as zero cost capital. In UE 115, for example, accumulated deferred taxes reduced rate base by about \$180 million (See Attachment 002-C).

b) As stated above, PGE is authorized to collect tariff rates based on the above cited Orders. PGE knows of no generally accepted accounting or regulatory conventions that determine the Federal Income Taxes authorized by the OPUC to be collected from customers located in the municipal boundaries of the City of Portland.

Should the City feel it needs clarification of the information supplied or additional information, please direct those inquiries to Jay Dudley, Associate General Counsel.

c) Please see discussion above.

October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 003

Request:

For the Designated Tax Years, segregated by tax year, please state the amount Paid by PGE to Enron as Federal Income Taxes, including the date of payment and the form of payment.

(a) Please produce all documents utilized or referred to in determining the answers to interrogatory number 3 above

Response:

To provide information on a timely basis, PGE includes Attachment 003-A which details annual income tax payments to Enron. Attachment 003-A provides tax payments made during a calendar year. These amounts do not necessarily correspond to tax payments for a given Tax Year. For example, a tax payment for 1999 may be made in calendar year 2000.

In addition to direct payments to Enron, PGE had deferred taxes associated with accelerated tax depreciation. Under IRS rules, these deferred taxes are "normalized." That is, they are treated as current taxes for rate making purposes. The OPUC treats accumulated deferred taxes as an off-set to rate base in the rate-setting process thus providing a benefit to customers. Attachment 003-A provides deferred taxes by year.

PGE's readily accessible records do not track payment date or method of payment. PGE would have to physically research its accounting and other records to respond to this request. PGE makes payments to Enron for federal income taxes quarterly and transmits them by wire transfer. If the City believes that the dates and method of payment are necessary, PGE will provide this information at a later date.

Should the City feel it needs clarification of the information supplied or additional information, please direct those inquiries to Jay Dudley, Associate General Counsel.

a) Attachment 003-A was prepared with data supplied by PGE's financial information systems rather than hard copy documents.

October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 004

Request:

For the Designated Tax Years, segregated by tax year, please state the amount Paid by PGE or Enron to the Federal government for Federal Income Taxes, including the date of payment and the form of payment.

(a) Please produce all documents utilized or referred to in determining the answers to interrogatory number 4 above.

Response:

Please refer to Attachment 003-A for payments made by PGE for Federal Income Taxes paid to the Federal Government. Amounts are from PGE's financial information system rather than hard copy documents. PGE's readily accessible records do not track payment date or method of payment. PGE would have to physically research its accounting and other records to respond to this request.

Attachment 004-A contains taxes paid by Enron and is from Enron's financial information system. Attachment 004-A is marked and should be treated as confidential business records and financial information of Enron.

Should the City feel it needs clarification of the information supplied or additional information, please direct those inquiries to Jay Dudley, Associate General Counsel.

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October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

**PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 005**

Request:

For the Designated Tax Years, segregated by tax year, please state the amount you collected from

- (a) all of your customers, and**
- (b) from only your customers located within the municipal boundaries of Portland, for payment of State Income Taxes.**
- (c) Please produce all documents utilized or referred to in determining the answers to interrogatory number 5 above.**

Response:

Please see PGE's Response to City of Portland Data Request No. 001.

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October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

**PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 006**

Request:

For the Designated Tax Years, segregated by tax year, please state the amount of State Income Taxes you were authorized by the OPUC to collect from

- (a) all of your customers, and**
- (b) only our customers located with the municipal boundaries of Portland.**
- (c) Please produce all documents utilized or referred to in determining the answers to interrogatory number 6 above.**

Response:

Please see PGE's Response to City of Portland Data Request No. 002.

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October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 007

Request:

For the Designated Tax Years, segregated by tax year, please state the amount Paid by PGE to Enron as State Income Taxes, including the date of payment and the form of payment.

(a) Please produce all documents utilized or referred to in determining the answers to interrogatory number 7 above.

Response:

To provide information on a timely basis, PGE includes Attachment 007-A, which details annual Oregon income tax payments to Enron. Attachment 007-A provides tax payments made during a calendar year. These amounts do not necessarily correspond to tax payments for a given Tax Year.

PGE's readily accessible records do not track payment date or method of payment. PGE would have to physically research its accounting and other records to respond to this request. PGE makes payments to Enron for Oregon income taxes quarterly and transmits them by wire transfer. If the City believes that the exact dates and method of payment are necessary, PGE will provide this information at a later date.

Should the City feel it needs clarification of the information supplied or additional information, please direct those inquiries to Jay Dudley, Associate General Counsel.

a) Attachment 007-A was prepared with data supplied by PGE's financial information systems rather than hard copy documents.

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October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 008

Request:

For the Designated Tax Years, segregated by tax year, please state the amount Paid by PGE or Enron to the State government for State Income Taxes, including the date of payment and the form of payment.

(a) Please produce all documents utilized or referred to in determining the answers to interrogatory number 8 above.

Response:

State Income taxes paid by PGE to Oregon are provided in Attachment 007-A. State Income taxes paid by Enron to Oregon are provided in Attachment 008-A. Attachment 008-A contains taxes paid by Enron and is from Enron's financial information system. Attachment 008-A is marked and should be treated as confidential business records and financial information of Enron.

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October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 009

Request:

For the Designated Tax Years, segregated by tax year, please state the amount you collected from

- (a) all of your customers, and**
- (b) from only your customers located within the municipal boundaries of Portland, for payment of Business Income Tax.**
- (c) Please produce all documents utilized or referred to in determining the answers to interrogatory number 9 above.**

Response:

- a) The Business Income Tax is collected from customers coded in our Customer Information System as located in Multnomah County. The Business Income Tax appears as a separate line item on the customer's bill. The amount on each bill is determined by multiplying the kWhs consumed times a rate set at a level necessary to recover the estimated tax, adjusted for accumulated differences. Attachment 009-A contains an annual summary of amounts collected from customers. Attachment 009-B provides copies of PGE's Tariff Information Bulletin (TIB) No.44 and its predecessor, TIB 33, which provide collection rates for the Business Income Taxes from 1977 through present. Copies of the revenue reports used to provide the information in Attachment 009-A are included as Attachment 009-C. Report detail has been redacted to protect individual customer information.
- b) Attachment 009-A provides information from PGE's year-end Revenue Reports for the portion of the tax collected from residents of the City of Portland from 1997-2001. However, the portion of the Revenue Report providing information on taxes by municipality was discontinued

in 2002. The collections from 2002 onward are calculated based on the rate designated in Attachment 009-B, collected on a calendar basis.

- c) The Revenue Reports are a direct output of PGE's customer information system.

October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 010

Request:

For the Designated Tax Years, segregated by tax year, please state the amount of Business Income Tax you were authorized by the OPUC to collect from

- (a) all of your customers, and**
- (b) from only your customers located within the municipal boundaries of Portland, for payment of Business Income Tax.**
- (c) Please produce all documents utilized or referred to in determining the answers to interrogatory number 10 above.**

Response:

- a) The Business Income Tax is only collected from PGE's customers that reside or operate a business within Multnomah County. The amount of the tax varies from year to year because it is a function of the amount of energy sold and expected taxable income. The amount authorized to be collected is this approximation. See response to City of Portland Data Request Attachment 009-A. The supporting Oregon Administrative Rule (OAR 860-022-0045) is included as Attachment 010-A.

The Business Income Tax is based on taxable income. From time to time the rate used on customer's bills will change to track the projected tax more closely.

- b) In addition to the above citations, PGE requested a Declaratory Ruling from the OPUC to determine the appropriateness of the method PGE uses to collect the Business Income Tax. A copy of the order accepting PGE's request is included as Attachment 010-B.

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October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

**PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 011**

Request:

For the Designated Tax Years, segregated by tax year, please state the amount Paid by PGE to Enron as Business Income Tax, including the date of payment and the form of payment.

(a) Please produce all documents utilized or referred to in determining the answers to interrogatory number 11 above.

Response:

Please see the Response to City of Portland Data Request No. 009 and Attachment 009-A.

PGE's readily accessible records do not track payment date or method of payment. PGE would have to physically research its accounting and other records to respond to this request.

Should the City feel it needs clarification of the information supplied or additional information, please direct those inquiries to Jay Dudley, Associate General Counsel.

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October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 012

Request:

For the Designated Tax Years, segregated by tax year, please state the amount Paid by PGE or Enron to Multnomah County for Business Income Tax, including the date of payment and the form of payment.

(a) Please produce all documents utilized or referred to in determining the answers to interrogatory number 12 above.

Response:

Please refer to PGE's response to City of Portland Data Request No. 009 and Attachment 009-A.

PGE's readily accessible records do not track payment date or method of payment. PGE would have to physically research its accounting and other records to respond to this request.

Enron's payments to Multnomah County for Business Income tax are stated in Attachment 012-A. Attachment 012-A contains taxes paid by Enron and is from Enron's financial information system. Attachment 012-A is marked and should be treated as confidential business records and financial information of Enron.

Should the City feel it needs clarification of the information supplied or additional information, please direct those inquiries to Jay Dudley, Associate General Counsel.

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October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 013

Request:

For the Designated Tax Years, segregated by tax year, please state the amount you collected from

- (a) all of your customers, and**
- (b) from only your customers located within the municipal boundaries of Portland, for payment of the Business License Fee.**
- (c) Please produce all documents utilized or referred to in determining the answers to interrogatory number 13 above.**

Response:

The City of Portland Business License Fee that PGE pays to the City of Portland is for non-utility operations only and therefore is not collected from customers. It is based on a specific formula outlined in the City of Portland Administrative rule 610.93-9 included as Attachment 013-A. The rule states "Income exempted under Business License law, such as gross revenue subject to Chapters 7.12 and 7.14, are excluded from the numerator of the apportionment fraction." PGE pays franchise fees to the City of Portland based on utility gross revenue in accordance with Chapter 7.14 of the Public Utility Ordinance, so this gross revenue is excluded from the calculation of the Business License Fees.

- a) None.
- b) None.
- c) Attachment 013-A provides a copy of the Ordinance establishing the Business License Fee. Attachment 013-B provides a copy of the governing chapter of the Business License Law.

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October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 014

Request:

For the Designated Tax Years, segregated by tax year, please state the amount of Business License Fees you were authorized by the OPUC to collect from your customers located with the municipal boundaries of Portland.

(a) Please produce all documents utilized or referred to in determining the answers to interrogatory number 14 above.

Response:

- a) See PGE's Response to City of Portland Data Request No. 013 and Attachments 013-A and 013-B.

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October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

**PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 015**

Request:

For the Designated Tax Years, segregated by tax year, please state the amount Paid by PGE to Enron as Business License Fees, including the date of payment and the form of payment.

(a) Please produce all documents utilized or referred to in determining the answers to interrogatory number 15 above.

Response:

The Business License Fees paid by PGE to Enron are included in Attachment 015-A. As discussed in PGE's Response to City of Portland Data Request No. 013, these amounts are not collected from PGE's customers.

PGE's readily accessible records do not track payment date or method of payment. PGE would have to physically research its accounting and other records to respond to this request.

Should the City feel it needs clarification of the information supplied or additional information, please direct those inquiries to Jay Dudley, Associate General Counsel.

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October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 016

Request:

For the Designated Tax Years, segregated by tax year, please state the amount Paid by PGE or Enron to the City of Portland for Business License Fees, including the date of payment and the form of payment.

(a) Please produce all documents utilized or referred to in determining the answers to interrogatory number 16 above.

Response:

Please see PGE's response to City of Portland Data Request No. 015 and Attachment 015-A.

Attachment 016-A contains taxes paid by Enron. Attachment 016-A is marked and should be treated as confidential business records and financial information of Enron.

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October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 017

Request:

For the Designated Tax Years, segregated by tax year and governmental entity, please state the amount of any other taxes PGE was authorized by the OPUC to collect from

- (a) all of your customers, and
- (b) only your customers within the municipal boundaries of Portland.
- (c) Please produce all documents utilized or referred to in determining the answers to interrogatory number 17 above.

Response:

To facilitate a timely response, PGE will attempt to provide as much information as possible at this time. PGE will supplement this response with other information as it becomes available. Excluding the taxes discussed in Responses to City of Portland Data Requests 001-016, the following is a list of additional taxes that PGE pays:

- Privilege Taxes
- Property Taxes
- Personal Property Taxes
- Taxes to Other States
- Foreign Insurance Excise Tax
- Payroll Taxes
- Power License
- Taxes to Other Cities
- Workers' Compensation

Of the taxes listed above, only Privilege Taxes are listed separately on PGE bills. The remainder is included in test year revenue requirements.

According to OAR 860-022-0040, an electric utility such as PGE is permitted to include franchise fees up to 3.5% of its gross revenues collected within a city as operating expenses for the purpose of calculating its rates system-wide. For all cities in which PGE does business (approximately 51), where PGE pays a franchise fee of at least 3.5% of the gross revenues collected within such cities (i.e. all of them), the projected amounts for such franchise fees are therefore included in the test year revenue requirement and paid by all customers as an operating expense.

However, where a city charges more than 3.5% of gross revenues for engaging in business within such city or for the use or occupancy of the city streets and public ways, any amount above 3.5% of gross revenues must be itemized on the utility bills and charged pro rata to utility customers within that city in accordance with OAR 860-022-0040(6). Of the 5% of gross revenue that PGE pays to the City of Portland each year, 1.5% is itemized on the bills of PGE's customers within the City.

For rate treatment of taxes included in rates as a part of operating costs, please see PGE's Response to City of Portland Data Request Nos. 001 and 002. PGE will supplement this response for other taxes included when setting rates in UE 100 and UE 115 at a later date.

October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 018

Request:

For the Designated Tax Years, segregated by tax year and governmental entity, please state the amount of any other taxes collected by PGE from

- (a) all of your customers, and**
- (b) only your customers within the municipal boundaries of Portland.**
- (c) Please produce all documents utilized or referred to in determining the answers to interrogatory number 18 above.**

Response:

Privilege tax amounts collected from customers will be provided at a later date. Others are included in base rates and, as such, are subject to the issues discussed in PGE's Response to City of Portland Data Request Nos. 001 and 002.

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October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

**PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 019**

Request:

Please state how much of the amounts identified in question number 18 above was paid by PGE to Enron, with the amounts segregated by tax year, category of tax, government entity, amount paid, date of payment and form of payment.

(a) Please produce all documents utilized or referred to in determining the answers to interrogatory number 19 above.

Response:

If other taxes is meant to include other state's income taxes, PGE will supply these at a later date. PGE did not pay "other" taxes to Enron for any of the Designated Tax Years.

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October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

**PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 020**

Request:

Please state how much of the amount identified in your answer to question number 18 above was paid by PGE or Enron to the government entity by that imposed the tax, with the amounts segregated by tax year, category of tax, government entity, amount paid, date of payment and form of payment

(a) Please produce all documents utilized or referred to in determining the answers to interrogatory number 20 above.

Response:

Property taxes paid to government entities by PGE are included as Attachment 020-A. Information for Attachment 020-A was obtained from PGE's financial information system rather than hard copy documents.

PGE will supplement this response for other taxes at a later date.

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October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 021

Request:

Please identify all Claims by PGE against Enron, or owed by Enron to PGE, arising from 1997 through to date, and for each Claim, state the date the Claim arose, and whether such Claim has been paid by Enron to PGE, whether such Claim remains outstanding, or whether such Claim has been waived, released, extinguished, transferred, barred or forgiven, voluntarily or involuntarily.

(a) Please produce all documents utilized or referred to in determining the answers to interrogatory number 21 above.

Response:

All transactions that could give rise to Claims by PGE against Enron or owed by Enron to PGE were conducted under a Master Service Agreement, which was filed with the OPUC, or under wholesale power or transmission tariffs which were approved by the Federal Energy Regulatory Commission. After the Enron merger, PGE filed affiliated interest reports with the OPUC which detail all transactions with Enron including all Claims. The last such report was for calendar year 2004. Portions relevant to the City's request are provided as Attachment 021-A.

In its SEC Forms 10-K and 10-Qs, PGE discusses related party transactions which disclose Claims by PGE against Enron. PGE's 1997, 1998, 1999, 2000, 2001, 2002, 2003, and 2004 Form 10-K as well as PGE's 2005 2nd Quarter 10-Q are included as Attachment 021-B.

Specific page references are provided below for the City's convenience.

1997 –

Note 1 – Summary of Significant Accounting Policies – Heading “Transactions with Related Parties” (page 32)

Note 8 – (page 41)

1998 –

Note 1 – Summary of Significant Accounting Policies – Heading “Transactions with Related Parties” (page 39)

Note 8 – (page 49)

1999 –

Note 8 – Property Dividends (page 51)

Note 12 – Related Party Transactions (page 54)

2000 –

Note 12 – Related Party Transactions (page 54)

2001 –

Note 12 – Related Party Transactions (page 86)

2002 –

Note 12 – Related Party Transactions (page 100)

2003 –

Note 13 – Related Party Transactions (page 107)

2004 –

Note 13 – Related Party Transactions (page 117)

Prior to Enron's bankruptcy all transactions involving Claims against Enron were discharged by Enron in the normal course of business. After Enron filed for protection under the bankruptcy laws, some then outstanding balances due from Enron became pre-petition Claims against the bankrupt estate and subject to the mandatory stay provisions of the Bankruptcy Code. PGE filed proofs of claim for these claims with the Bankruptcy Court. Copies of these proofs of claim are provided as Attachment 021-C. The disposition of these claims is described in PGE's 2004 SEC Form 10-K in Note 13.

A copy of the Master Service Agreement is provided as Attachment 021-D.

PGE will provide additional detail on particular Claims identified in the above documents at the City's request.

Should the City feel it needs clarification of the information supplied or additional information, please direct those inquiries to Jay Dudley, Associate General Counsel.

October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

**PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 022**

Request:

Please identify all dividends paid by PGE to Enron from 1997 to date, segregated by year, by amount paid, by date of payment, and by form of payment.

(a) Please produce all documents utilized or referred to in determining the answers to interrogatory number 22 above.

Response:

See the schedule on Attachment No. 022-A for a listing of cash dividends paid by PGE to Enron from 1997 to date.

PGE's readily accessible records do not track payment date or method of payment. PGE would have to physically research its accounting and other records to respond to this request.

Should the City feel it needs clarification of the information supplied or additional information, please direct those inquiries to Jay Dudley, Associate General Counsel.

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October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 023

Request:

Please identify all capital contributions paid by Enron to PGE from 1997 to date, segregated by year, by amount paid, by date of payment, and by form of payment.

(a) Please produce all documents utilized or referred to in determining the answers to interrogatory number 23 above.

Response:

A capital contribution was made as follows:

| <u>Year</u> | <u>Amount</u> | <u>Date of Payment</u> | <u>Form of Payment</u> |
|-------------|---------------|------------------------|-----------------------------------|
| April 2005 | \$610,028 | N/A | Tax liability assumed by Enron |

The assumption of tax liability by Enron was in connection with the settlement of certain benefit claims. As a part of the agreement to pay PGE an amount equivalent of cash flows to pay future benefits, it was agreed that Enron would assume the current tax liability. As a result, PGE recognized the assumption by Enron of the current tax liability as a capital contribution. For additional information, reference PGE's SEC Form 10-Q for the quarter ending June 30, 2005 (Note 5 - Related Party Transactions, under the sub-heading "PGH Non-Qualified Benefit Plans" on page 18). The journal entry for this activity is Attachment 023-A.

In addition PGE's increase in retained earnings since July 1997 could be considered a capital contribution made by Enron to PGE. Retained earnings represent earnings over time, less dividends that have been paid to shareholders. Amounts remaining in retained earnings at any point in time are funds available to be invested by the shareholders into the business. When the OPUC sets rates, a utility's retained earnings are treated as capital contributed by its shareholders.

October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 024

Request:

Please identify Enron's current equity investment in PGE and PGE's current debt for purposes of rate regulation and rate of return calculation by the OPUC.

(a) Please produce all documents utilized or referred to in determining the answers to interrogatory number 24 above.

Response:

PGE's 2004 year end equity and debt for purposes of rate regulation and rate of return calculation are provided in the table below.

Composite Capital Structure

| <u>Actual End of Period</u> | <u>End of Period Outstanding</u> |
|-----------------------------|--------------------------------------|
| Long Term Debt | 881,250 |
| Preferred Stock | 20,473 |
| Common Equity | <u>1,278,307</u> |
| Total | 2,180,030 |

a) See Attachment 001-C for the relevant 2004 Annual Report of Operations.

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October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 025

Request:

Please identify Enron's/PGE's current OPUC approved allowed return on equity, allowed cost of debt, and overall rate of return for PGE.

(a) Please produce all documents utilized or referred to in determining the answers to interrogatory number 25 above.

Response:

PGE's OPUC authorized return on equity, debt and rate of return for PGE is provided below. These figures are included in PGE's 2004 Annual Report on Operations (Attachment 001-C) as well as in OPUC Order No. 01-777 (Attachment 002-C).

Authorized Composite Cost of Capital

| | Average | Percent | Weighted | |
|-------------------------|-------------|------------|----------|---------|
| | | | Percent | Percent |
| Order 01-777, UE 115 | Outstanding | of Capital | Cost | Cost |
| Long Term Debt | 887,900 | 46.32% | 7.51% | 3.48% |
| Preferred Stock | 29,250 | 1.53% | 8.43% | 0.13% |
| Common Equity | 999,781 | 52.16% | 10.50% | 5.48% |
| Total | 1,916,931 | 100.00% | | 9.08% |

Should the City feel it needs clarification of the information supplied or additional information, please direct those inquiries to Jay Dudley, Associate General Counsel.

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October 12, 2005

TO: Linda Meng
City of Portland - Attorney

FROM: Patrick Hager
Manager, Regulatory Affairs

PORTLAND GENERAL ELECTRIC
Resolution No. 36337
PGE Response to City of Portland Data Request
Dated September 23, 2005
Question 026

Request:

Please identify Enron's/PGE's realized return on equity, cost of debt, and rate of return for PGE for calendar year 2004 and to date for calendar year 2005.

(a) Please produce all documents utilized or referred to in determining the answers to interrogatory number 26 above.

Response:

PGE results of operations reports provide the requested information. PGE's report for 2004 is included in Attachment 001-C. The results of operations reports for 2005 will be developed after year-end 2005. PGE does not prepare a results of operations report for 2005 to date. Due to the seasonal nature of PGE's revenues and expenses, a partial-year report would provide an incomplete assessment of overall financial measures. Below is the return on equity, cost of debt and rate of return for PGE's actual financial statements for regulated operations for 2004.

| Composite Capital Structure | | | |
|-----------------------------|------------|---------|--------------|
| | Percent | Percent | Weighted |
| Actual End of Period | of Capital | Cost | Percent Cost |
| Long Term Debt | 40.42% | 7.28% | 2.94% |
| Preferred Stock | 0.94% | 8.43% | 0.08% |
| Common Equity | 58.64% | 9.80% | 5.75% |
| Total | 100.00% | | 8.77% |

Should the City feel it needs clarification of the information supplied or additional information, please direct those inquiries to Jay Dudley, Associate General Counsel.

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