

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

PORTLAND GENERAL ELECTRIC CO /OR/

CIK: **784977** | IRS No.: **930256820** | State of Incorporation: **OR** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-05532-99** | Film No.: **94528126**
SIC: **4911** Electric services

Business Address
121 SW SALMON ST
PORTLAND OR 97204
5034648000

PORTLAND GENERAL CORP /OR

CIK: **79636** | IRS No.: **930909442** | State of Incorporation: **OR** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-05532** | Film No.: **94528127**
SIC: **4911** Electric services

Business Address
121 SW SALMON ST
PORTLAND OR 97204
5034648820

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1994

or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the Transition period from _____ to _____

| Commission File Number | Registrant; State of Incorporation; IRS Employer Address; and Telephone Number | Identification No. |
|------------------------|--|--------------------|
| 1-5532 | PORTLAND GENERAL CORPORATION (an Oregon Corporation) 121 SW Salmon Street Portland, Oregon 97204 (503) 464-8820 | 93-0909442 |
| 1-5532-99 | PORTLAND GENERAL ELECTRIC COMPANY (an Oregon Corporation) 121 SW Salmon Street Portland, Oregon 97204 (503) 464-8000 | 93-0256820 |

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes . No .

The number of shares outstanding of the registrants' common stocks as of April 30, 1994 are:

| | |
|--|------------|
| Portland General Corporation | 50,155,869 |
| Portland General Electric Company (owned by Portland General Corporation) | 42,758,877 |

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Portland General Corporation and Subsidiaries

Management's Discussion and Analysis of Financial
Condition and Results of Operations

FINANCIAL AND OPERATING OUTLOOK

Utility

General Rate Filing

On November 8, 1993, Portland General Electric Company (PGE or the Company) filed a request with the Oregon Public Utility Commission (PUC) to increase electric prices by an average of 5% beginning January 1, 1995. Commercial and industrial customers' rates would increase, on average, 3.2%. The proposed increase in average annual revenues is \$43 million, after the effects of the Bonneville Power Administration (BPA) exchange benefits (under provisions of the Regional Power Act PGE exchanges higher-cost power for lower-cost federal hydroelectric power with BPA and passes the benefits to residential and small farm customers). PGE requested a return on equity of 11.5%, down from the current authorized return of 12.5%. If approved, this would be the Company's first general price increase since 1991.

The general rate filing includes PGE's request for continued recovery of Trojan Nuclear Plant (Trojan) costs including decommissioning, operating expenses, taxes, return of capital invested in the plant and return on the undepreciated investment. PGE's current rates include recovery of these Trojan costs. In May 1994 the PUC issued an order to delay consideration of the Trojan-related issues and cost of capital until August 1994 in order to allow the PUC Staff to retain an expert to consult and advise the PUC regarding Trojan plant operations. Hearings are scheduled for October 1994.

Recovery of power cost deferrals is addressed in separate rate proceedings, not in the general rate case (see the discussion of Power Cost Recovery below).

Trojan Related Issues

Shutdown - In early 1993, PGE ceased commercial operation of Trojan as recommended in PGE's Least Cost Plan (LCP). On June 3, 1993 the PUC acknowledged PGE's LCP.

Decommissioning Estimate - The Company estimates the cost to decommission Trojan to be \$409 million, reflected in nominal dollars (actual dollars expected to be spent in each year). This represents a site-specific decommissioning cost estimate performed for Trojan by an experienced decommissioning engineering firm and assumes that the majority of decommissioning activities will occur between 1998 and 2002, after construction of a temporary dry spent fuel storage facility. Decommissioning of the temporary dry spent fuel storage facility and final nonradiological site remediation activities will occur in 2018 after PGE completes shipment of spent fuel to a United States Department of Energy (USDOE) facility.

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Portland General Corporation and Subsidiaries

Management's Discussion and Analysis of Financial Condition and Results of Operations

The decommissioning cost estimate includes the cost of decommissioning planning, removal and burial of irradiated equipment and facilities as required by the Nuclear Regulatory Commission (NRC); building demolition and nonradiological site remediation; and fuel management costs including licensing, surveillance and transition costs. Transition costs of \$75 million are the costs associated with operating and maintaining the spent fuel pool and securing the plant until dismantlement can begin. While most decommissioning costs will utilize funds from PGE's Nuclear Decommissioning Trust (NDT), transition costs will continue to be paid from current operating funds.

PGE plans to submit a formal decommissioning plan to the NRC in mid-1994. Presently, PGE is planning to accelerate the removal of some of Trojan's large components which is expected to result in overall decommissioning cost savings. Since the Company plans to perform this work prior to receiving NRC approval of its formal decommissioning plan, specific approvals will be required from the NRC and the Energy Facility Siting Council of Oregon. Additionally, the NRC must approve the use of PGE's NDT funds for removal of large components. The Company plans to begin this work in 1994.

Assumptions used to develop the site-specific cost estimate for decommissioning represent the best information PGE has currently. However, the Company is continuing its analysis of various options which could change the timing and scope of decommissioning activities. The Company expects any future changes in estimated decommissioning costs to be incorporated in future revenues to be collected from customers.

Investment Recovery - In its general rate filing PGE requested continued recovery of Trojan plant costs, including decommissioning. See the General Rate Filing discussion above for details regarding the order to delay the schedule for Trojan-related issues.

The analysis performed for the LCP assumed that continued recovery of the Trojan plant investment, including future decommissioning costs,

would be granted by the PUC. Regarding the authority of the PUC to grant recovery, the Oregon Department of Justice (Attorney General) issued an opinion that the PUC may allow rate recovery of total plant costs, including operating expenses, taxes, decommissioning costs, return of capital invested in the plant and return on the undepreciated investment. While the Attorney General's opinion does not guarantee recovery of costs associated with the shutdown, it does clarify that under current law the PUC has authority to allow recovery of such costs in rates.

PGE asked the PUC to resolve certain legal and policy questions regarding the statutory framework for future ratemaking proceedings related to the recovery of the Trojan investment and decommissioning costs. On August 9, 1993 the PUC issued a declaratory ruling agreeing with the Attorney General's opinion discussed above. The ruling also stated that the PUC will favorably consider allowing PGE to recover in rates some or all of its return on and return of its undepreciated investment in Trojan, including decommissioning costs, if PGE meets certain conditions. PGE believes that its general rate filing provides evidence that satisfies the conditions established by the PUC. See Legal Proceedings for further discussion of legal challenges to the declaratory ruling.

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Portland General Corporation and Subsidiaries

Management's Discussion and Analysis of Financial Condition and Results of Operations

Management believes that the PUC will grant future revenues to cover all, or substantially all, of Trojan plant costs with an appropriate return. However, future recovery of the Trojan plant investment and future decommissioning costs requires PUC approval in a public regulatory process. Although the PUC has allowed PGE to continue, on an interim basis, collection of these costs in the same manner as prescribed in the Company's last general rate proceeding, the PUC has yet to address recovery of costs related to a prematurely retired plant when the decision to close the plant was based upon a least cost planning process. Due to uncertainties inherent in a public process, management cannot predict, with certainty, whether all, or substantially all, of the \$361 million Trojan plant investment and \$352 million of future decommissioning costs will be recovered. Management believes the ultimate outcome of this public regulatory process will not have a material adverse effect on the financial condition, liquidity or capital resources of Portland General. However, it may have a material impact on the results of operations for a future reporting period.

Power Cost Recovery

In early 1993, the PUC authorized PGE to defer 80% of the incremental power costs incurred from December 4, 1992 through March 31, 1993 to replace Trojan generation. In total, \$44 million of accrued revenues were recorded for later collection. In accordance with Oregon law collection is subject to a PUC review of PGE reported earnings, adjusted for the regulatory treatment of unusual and/or nonrecurring items, as well as the determination of an appropriate rate of return on equity for the deferral period. In early 1994, the PUC granted approval for full recovery and PGE began collection in April 1994. Amounts will be collected over a three year period.

In August 1993, the PUC authorized PGE to defer, for later collection, 50% of the incremental replacement power costs incurred from July 1, 1993 through March 31, 1994. The PUC granted the lower deferral rate to reflect expected nuclear operating cost savings. In total, \$48 million

of revenues were recorded. The amount of revenues PGE will be allowed to collect will be established by the PUC following its review of PGE earnings, as adjusted, and its determination of a rate of return on equity for the July 1, 1993 through March 31, 1994 period. PGE expects to submit its filing to the PUC by July 1994.

Customer Growth and Revenues

During the first quarter of 1994, 3,000 retail customers were added to PGE's service territory. For the twelve-months ended March 31, 1994, over 10,000 retail customers were added. PGE's weather-adjusted retail energy sales for the first quarter of 1994 were 3.2% higher than weather-adjusted retail energy sales during the same period in 1993. The Company expects 1994 load growth to be approximately 2.6%.

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Portland General Corporation and Subsidiaries

Management's Discussion and Analysis of Financial Condition and Results of Operations

Seasonality

PGE's retail sales peak in the winter, therefore, first quarter earnings are not necessarily indicative of results to be expected for fiscal year 1994.

Nonutility

Portland General Corporation (Portland General), Portland General Holdings, Inc. (Holdings) and certain Portland General affiliated individuals have been named in a class action suit by investors in Bonneville Pacific Corporation (Bonneville Pacific) and in a suit filed by the bankruptcy trustee for Bonneville Pacific. The class action suit alleges various violations of securities law, fraud and misrepresentation. The suit by the bankruptcy trustee for Bonneville Pacific alleges federal and Utah securities violations, common law fraud, breach of fiduciary duty, tortious interference, negligence, negligent misrepresentation and other actionable wrongs.

Regarding the class action suit, in May 1994 the U.S. District Court for the District of Utah (the Court) issued an order on the defendants' motion to dismiss. The order dismisses the claims filed by the plaintiffs against Portland General, Holdings and the Portland General affiliated individuals for common law fraud and negligent misrepresentation, primary liability for violations of the federal securities laws and secondary liability for aiding and abetting and conspiracy to violate the federal securities laws. The order permanently dismisses the secondary liability claims. The Court stated that it will consider an amendment to the complaint with regard to the other claims. The Court also held that it would not consider the claims for Utah state securities law violations until certain issues are addressed by the Utah state courts.

Holdings has filed a complaint seeking approximately \$228 million in damages against Deloitte & Touche and certain parties associated with Bonneville Pacific alleging that it relied on fraudulent and negligent statements and omissions when it acquired a 46% interest in and made

loans to Bonneville Pacific.

A detailed report released in June 1992, by a U.S. Bankruptcy examiner outlined a number of questionable transactions that resulted in gross exaggeration of Bonneville Pacific's assets prior to Holdings' investment. This report includes the examiner's opinion that there was significant mismanagement and very likely fraud at Bonneville Pacific. These findings support management's belief that a favorable outcome on these matters can be achieved.

For background information and further details, see Note 3, Legal Matters, in Notes to Financial Statements.

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Portland General Corporation and Subsidiaries

Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

First Quarter 1994 Compared to First Quarter 1993

Portland General earned \$39 million, or \$0.80 per share, for the first quarter of 1994 compared to \$37 million, or \$0.77 per share, in 1993. Lower average variable power costs and declining operating costs resulted in higher earnings in 1994.

Operating revenues rose slightly in 1994 reflecting improved wholesale revenues offset by lower retail revenues. Wholesale revenues rose \$9 million due to increased availability of power and opportunities for sales. During 1994 PGE sold more than double the amount of wholesale energy than in 1993.

Retail revenues decreased \$8 million. Despite 3.2% load growth, retail megawatt-hour sales declined 2.8% as a result of warmer weather in the first quarter of 1994. In 1994, \$18 million in revenues associated with the 50% deferral of replacement power costs (see Power Cost Recovery in the Financial and Operating Outlook section above) were accrued, down from \$37 million relating to the 80% deferral in 1993. The lower deferral rate, coupled with lower power costs, reduced the amount of the power cost deferral. Retail revenues increased \$12 million due to the effect of a decrease in BPA exchange benefits (resulting from the 1993 BPA rate increase).

Variable power costs rose \$10 million or 11% over 1993. A decrease in BPA exchange benefits resulted in a \$12 million increase in variable power costs and retail revenues as discussed above. Variable power costs, excluding the effects of BPA exchange benefits, declined despite the increase in total system send-out. Generation at Company-owned plants was up 14% which enabled the Company to purchase less power. As a result, purchased power expense declined \$9 million while fuel expense increased \$6 million. Overall, average variable power

costs fell to 19.6 mills per kilowatt-hour (10 mills = 1 cent) in 1994 from 21.0 mills per kilowatt-hour in 1993.

The Company experienced significant nuclear cost savings. Due to fewer personnel at Trojan, nuclear operating costs declined \$17 million in 1994 contributing to a 20% decline in operating expenses (excluding variable power costs and depreciation). During the first quarter of 1994, \$4 million of these costs were amortized to operating expenses.

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Portland General Corporation and Subsidiaries

Management's Discussion and Analysis of Financial Condition and Results of Operations

Higher taxable income contributed to the \$4 million increase in income tax expense for the quarter.

1994 Compared to 1993 for the Twelve Months Ended March 31

Portland General earned \$92 million, or \$1.92 per share, for the twelve-months ended March 31, 1994 compared to \$100 million, or \$2.14 per share, for the 1993 period. Excluding the effects of Trojan steam generator repair costs of \$11 million, after tax, which were restored to 1992 calendar earnings (and included in the 1993 twelve-month period), 1993 earnings would have been \$89 million.

Operating revenues rose \$26 million due to a 4% increase in retail revenues. This increase was partially offset by a decline in wholesale sales.

Variable power costs increased \$72 million in 1994. PGE purchased 28% more power which drove the average variable power cost up from 16.2 mills in 1993 to 19.0 mills in 1994.

A primary contributor to the 19% decline in operating expenses (excluding variable power costs and depreciation) in the 1994 period was a \$67 million decline in nuclear operating expenses.

Depreciation, decommissioning and amortization rose 23% as a result of the capitalization of \$18 million, before tax, of steam generator repair costs discussed above.

Interest expense fell 3% as the Company took advantage of lower interest rates.

CASH FLOW

Portland General Corporation

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, short- and intermediate-term borrowings and the sale of its common stock.

Portland General received \$15.4 million in dividends from PGE during the first quarter of 1994 and \$2.2 million in proceeds from the issuance of shares of common stock under its Dividend Reinvestment and Optional Cash Payment Plan.

In February 1994 Portland General issued 2,300,000 shares of common stock. Proceeds to Portland General were \$41 million. These proceeds were used to purchase 2,300,000 additional shares of PGE common stock.

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Portland General Corporation and Subsidiaries

Management's Discussion and Analysis of Financial Condition and Results of Operations

Portland General Electric Company

Cash Provided by Operations

Operations are the primary source of cash used for day to day operating needs of PGE and funding of construction activities. PGE also obtains cash from external borrowings, as needed.

A significant portion of cash from operations comes from depreciation and amortization of utility plant, charges which are recovered in customer revenues but require no current cash outlay. Changes in accounts receivable and accounts payable can also be significant contributors or users of cash. The increase in cash flow from operations, when comparing first quarter 1994 to first quarter 1993, is primarily due to fewer non-cash revenues (relating to accrued revenues for replacement power costs) in the 1994 quarter.

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 issued a statutory notice of tax deficiency, which Portland General is contesting, related to its examination of Portland General's 1985 tax return. See Note 4, Income Taxes, for further information.

PGE has been named a "potentially responsible party" (PRP) of PCB contaminants at various environmental cleanup sites. The total cost of cleanup is estimated at \$27 million, of which the Company's share is approximately \$3 million. PGE has made an assessment of the other involved PRP's and is satisfied that they can meet their share of the obligation. Should the eventual outcome of these environmental matters result in additional cash requirements, PGE expects internally generated cash flows or external borrowings to be sufficient to fund such obligations.

Investing Activities

PGE invests in facilities for generation, transmission and distribution of electric energy and for energy efficiency improvements. Estimated capital expenditures for 1994 are expected to be \$265 million. Approximately \$54 million has been expended for capital projects, including energy efficiency, through March 31, 1994.

PGE continues to fund an external trust for the future costs of Trojan decommissioning. Funding began in March 1991. Currently PGE funds \$11 million each year. As of March 31, 1994 the fund had a current market value of \$50 million which was invested in investment-grade tax-exempt bonds. Upon approval from the NRC these funds will become available to PGE for use in the removal of some of Trojan's large components in addition to other future decommissioning activities.

Financing Activities

First quarter 1994 financing activities include the February issuance of 2,300,000 shares of \$3.75 par value common stock to Portland General (see Portland General cash flow discussion above). Proceeds to PGE were \$41 million which were used for its construction program.

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Portland General Corporation and Subsidiaries

Management's Discussion and Analysis of Financial
Condition and Results of Operations

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 March 31, 1994 PGE could issue \$475 million of preferred stock and \$410 million of additional First Mortgage Bonds.

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Graph Descriptions

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Quarterly Increase in Residential Customers

| Qtr | Year | Increase in Residential Customers |
|-----|------|--------------------------------------|
| 4Q | 1991 | 3,876 |
| 1Q | 1992 | 2,374 |
| 2Q | 1992 | 1,839 |
| 3Q | 1992 | 2,300 |
| 4Q | 1992 | 2,927 |
| 1Q | 1993 | 2,025 |
| 2Q | 1993 | 1,803 |
| 3Q | 1993 | 3,688 |
| 4Q | 1993 | 1,783 |
| 1Q | 1994 | 2,986 |

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Gross Margin

12 Months Ending March 31

| | Mills/kWh | | |
|--------------------|-----------|------|------|
| | 1992 | 1993 | 1994 |
| Net Variable Power | 7 | 9 | 13 |
| Retail Revenues | 49 | 50 | 52 |

(Net variable power costs are variable power less wholesale revenues)

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Operating Expenses

12 Months Ending March 31

| | Millions of Dollars | | |
|-----------------|---------------------|------|------|
| | 1992 | 1993 | 1994 |
| Operating Costs | 368 | 332 | 270 |
| Variable Power | 239 | 250 | 322 |
| Depreciation | 116 | 99 | 122 |

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PGE Electricity Sales

12 Months Ending March 31

Billions of kWhs

| | 1992 | 1993 | 1994 |
|-------------|------|------|------|
| Residential | 6.3 | 6.7 | 6.6 |
| Commercial | 5.7 | 6.0 | 6.0 |
| Industrial | 3.5 | 3.7 | 3.8 |
| Wholesale | 3.8 | 2.1 | 2.0 |

<TABLE>
<CAPTION>

Portland General Corporation and Subsidiaries
Consolidated Statements of Income for the
Three Months and Twelve Months Ended March 31, 1994 and 1993
(Unaudited)

| | Three Months Ended March 31 | | Twelve Months Ended March 31 | |
|---|--------------------------------|------------|---------------------------------|------------|
| | 1994 | 1993 | 1994 | 1993 |
| | (Thousands of Dollars) | | | |
| <S> | <C> | <C> | <C> | <C> |
| OPERATING REVENUES | \$278,014 | \$276,832 | \$948,011 | \$922,483 |
| OPERATING EXPENSES | | | | |
| Purchased power and fuel | 100,970 | 90,808 | 321,875 | 249,579 |
| Production and distribution | 15,406 | 20,591 | 68,391 | 91,996 |
| Maintenance and repairs | 9,159 | 15,118 | 49,361 | 73,615 |
| Administrative and other | 22,432 | 24,571 | 98,182 | 109,821 |
| Depreciation, decommissioning and amortization | 30,849 | 30,744 | 122,323 | 99,562 |
| Taxes other than income taxes | 14,294 | 16,125 | 53,899 | 56,394 |
| | 193,110 | 197,957 | 714,031 | 680,967 |
| OPERATING INCOME BEFORE INCOME TAXES | 84,904 | 78,875 | 233,980 | 241,516 |
| INCOME TAXES | 27,788 | 23,688 | 71,620 | 69,623 |
| NET OPERATING INCOME | 57,116 | 55,187 | 162,360 | 171,893 |
| OTHER INCOME (DEDUCTIONS) | | | | |
| Interest expense | (17,051) | (17,740) | (70,113) | (72,350) |
| Allowance for funds used during construction | 464 | 173 | 1,076 | 2,456 |
| Preferred dividend requirement - PGE | (2,988) | (3,068) | (11,966) | (12,487) |
| Other - net of income taxes | 1,624 | 2,004 | 10,370 | 10,259 |
| NET INCOME | \$ 39,165 | \$ 36,556 | \$ 91,727 | \$ 99,771 |
| COMMON STOCK | | | | |
| Average shares outstanding | 48,670,211 | 47,243,743 | 47,749,975 | 47,030,077 |
| Earnings per average share | \$0.80 | \$0.77 | \$1.92 | \$ 2.14* |
| Dividends declared per share | \$.30 | \$.30 | \$1.20 | \$ 1.20 |

* includes \$.02 for tax benefits from ESOP dividends

Consolidated Statements of Retained Earnings for the
Three Months and Twelve Months Ended March 31, 1994 and 1993
(Unaudited)

| | Three Months Ended March 31 | | Twelve Months Ended March 31 | |
|--------------------------------|--------------------------------|-----------|---------------------------------|-----------|
| | 1994 | 1993 | 1994 | 1993 |
| | (Thousands of Dollars) | | | |
| BALANCE AT BEGINNING OF PERIOD | \$ 81,159 | \$ 50,481 | \$ 72,481 | \$ 32,236 |

| | | | | |
|---|-----------|-----------|-----------|-----------|
| NET INCOME | 39,165 | 36,556 | 91,727 | 99,771 |
| ESOP TAX BENEFIT & AMORTIZATION OF PREFERRED STOCK PREMIUM | (370) | (379) | (1,515) | (3,079) |
| | 119,954 | 86,658 | 162,693 | 128,928 |
| DIVIDENDS DECLARED ON COMMON STOCK | 15,015 | 14,177 | 57,754 | 56,447 |
| BALANCE AT END OF PERIOD | \$104,939 | \$ 72,481 | \$104,939 | \$ 72,481 |

</TABLE>

[FN]

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

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<TABLE>

<CAPTION>

Portland General Corporation and Subsidiaries
Consolidated Balance Sheets as of March 31, 1994 and December 31, 1993

| | (Unaudited) | |
|---|------------------------|--------------|
| | March 31 | December 31 |
| | 1994 | 1993 |
| | (Thousands of Dollars) | |
| ASSETS | | |
| <S> | <C> | <C> |
| ELECTRIC UTILITY PLANT -ORIGINAL COST | | |
| Utility plant (includes Construction Work in Progress of \$75,781 and \$46,679) | \$ 2,417,646 | \$ 2,370,460 |
| Accumulated depreciation and decommissioning | (914,245) | (894,284) |
| | 1,503,401 | 1,476,176 |
| Capital leases - less amortization of \$24,168 and \$23,626 | 13,150 | 13,693 |
| | 1,516,551 | 1,489,869 |
| OTHER PROPERTY AND INVESTMENTS | | |
| Leveraged leases | 155,380 | 155,618 |
| Net assets of discontinued real estate operations | 30,767 | 31,378 |
| Trojan decommissioning trust, at market value | 49,852 | 48,861 |
| Other investments | 102,164 | 102,164 |
| | 338,163 | 338,021 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 6,586 | 3,202 |
| Accounts and notes receivable | 93,216 | 91,641 |
| Unbilled and accrued revenues | 149,991 | 133,476 |
| Inventories, at average cost | 45,417 | 46,534 |
| Prepayments and other | 28,238 | 22,128 |
| | 323,448 | 296,981 |
| DEFERRED CHARGES | | |
| Unamortized regulatory assets | | |
| Trojan abandonment - Plant | 361,031 | 366,712 |
| Trojan abandonment - Decommissioning | 352,237 | 355,718 |
| Trojan other | 66,825 | 66,387 |
| Income taxes recoverable | 222,887 | 228,233 |
| Debt reacquisition costs | 34,267 | 34,941 |
| Energy efficiency programs | 43,488 | 39,480 |
| Other | 32,938 | 33,857 |
| WNP-3 settlement exchange agreement | 176,829 | 178,003 |
| Miscellaneous | 27,172 | 21,126 |
| | 1,317,674 | 1,324,457 |
| | \$ 3,495,836 | \$ 3,449,328 |

CAPITALIZATION AND LIABILITIES

| | | |
|-----------------------|------------|------------|
| CAPITALIZATION | | |
| Common stock | \$ 187,636 | \$ 178,630 |
| Other paid-in capital | 553,904 | 519,058 |
| Unearned compensation | (17,706) | (19,151) |
| Retained earnings | 104,939 | 81,159 |

| | | |
|--|--------------|--------------|
| | 828,773 | 759,696 |
| Cumulative preferred stock of subsidiary | | |
| Subject to mandatory redemption | 60,000 | 70,000 |
| Not subject to mandatory redemption | 69,704 | 69,704 |
| Long-term debt | 838,778 | 842,994 |
| | 1,797,255 | 1,742,394 |
| CURRENT LIABILITIES | | |
| Long-term debt and preferred stock due within one year | 53,900 | 51,614 |
| Short-term borrowings | 120,265 | 159,414 |
| Accounts payable and other accruals | 105,682 | 109,479 |
| Accrued interest | 21,900 | 18,581 |
| Dividends payable | 18,444 | 17,657 |
| Accrued taxes | 54,678 | 25,601 |
| | 374,869 | 382,346 |
| OTHER | | |
| Deferred income taxes | 657,554 | 660,248 |
| Deferred investment tax credits | 59,389 | 60,706 |
| Regulatory reserves | 120,034 | 120,410 |
| Trojan decommissioning reserve and misc. closure costs | 404,838 | 407,610 |
| Miscellaneous | 81,897 | 75,614 |
| | 1,323,712 | 1,324,588 |
| | \$ 3,495,836 | \$ 3,449,328 |

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

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<CAPTION>

Portland General Corporation and Subsidiaries
Consolidated Statements of Capitalization
as of March 31, 1994 and December 31, 1993

| | (Unaudited) | | | |
|--|------------------------|-------|-------------|-------|
| | March 31 | | December 31 | |
| | 1994 | | 1993 | |
| | (Thousands of Dollars) | | | |
| <S> | <C> | <C> | <C> | <C> |
| COMMON STOCK EQUITY | | | | |
| Common stock, \$3.75 par value per share 100,000,000 shares authorized, 50,048,400 and 47,634,653 shares outstanding | \$ 187,636 | | \$ 178,630 | |
| Other paid-in capital - net | 553,904 | | 519,058 | |
| Unearned compensation | (17,706) | | (19,151) | |
| Retained earnings | 104,939 | | 81,159 | |
| | 828,773 | 46.1% | 759,696 | 43.6% |
| CUMULATIVE PREFERRED STOCK | | | | |
| Subject to mandatory redemption | | | | |
| No par value, 30,000,000 shares authorized | | | | |
| 7.75% Series, 300,000 shares outstanding | 30,000 | | 30,000 | |
| 8.10% Series, 500,000 shares outstanding | 50,000 | | 50,000 | |
| Current sinking fund | (20,000) | | (10,000) | |
| | 60,000 | 3.3 | 70,000 | 4.0 |
| 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 | |
| | 69,704 | 3.9 | 69,704 | 4.0 |
| LONG-TERM DEBT | | | | |
| First mortgage bonds | | | | |

| | | | | |
|--|-------------|--------|-------------|--------|
| Maturing 1994 through 1999 | | | | |
| 4-3/4% Series due April 1, 1994 | - | | 8,119 | |
| 4.70% Series due March 1, 1995 | 3,045 | | 3,220 | |
| 5-7/8% Series due June 1, 1996 | 5,366 | | 5,366 | |
| 6.60% Series due October 1, 1997 | 15,363 | | 15,363 | |
| Medium-term notes - 5.65%-9.27% | 242,000 | | 242,000 | |
| Maturing 2002 through 2004 - 6.47%-9.07% | 165,845 | | 166,283 | |
| Maturing 2016 through 2023 - 7.75%-9-5/8% | 195,000 | | 195,000 | |
| Pollution control bonds | | | | |
| Port of Morrow, Oregon, variable rate (Average 2.3% for 1993), due 2013 | 23,600 | | 23,600 | |
| City of Forsyth, Montana, variable rate (Average 2.4% for 1993), due 2013 through 2016 | 118,800 | | 118,800 | |
| Amount held by trustee | (8,621) | | (8,537) | |
| Port of St. Helens, Oregon, due 2010 and 2014 (Average variable 2.2%-2.4% for 1993) | 51,600 | | 51,600 | |
| Medium-term notes maturing 1994 through 1996 - 7.23%-8.09% | 47,500 | | 50,000 | |
| Capital lease obligations | 13,150 | | 13,693 | |
| Other | 30 | | 101 | |
| | 872,678 | | 884,608 | |
| Long-term debt due within one year | (33,900) | | (41,614) | |
| | 838,778 | 46.7 | 842,994 | 48.4 |
| Total capitalization | \$1,797,255 | 100.0% | \$1,742,394 | 100.0% |

</TABLE>

[FN]

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

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<TABLE>

<CAPTION>

Portland General Corporation and Subsidiaries
Consolidated Statements of Cash Flow for the
Three Months and Twelve Months Ended March 31, 1994 and 1993
(Unaudited)

| | Three Months Ended | | Twelve Months Ended | |
|--|--------------------|-----------|---------------------|-----------|
| | March 31 | | March 31 | |
| | 1994 | 1993 | 1994 | 1993 |
| <S> | <C> | <C> | <C> | <C> |
| CASH PROVIDED (USED) BY - | | | | |
| OPERATIONS: | | | | |
| Net income | \$ 39,165 | \$ 36,556 | \$ 91,727 | \$ 99,771 |
| Adjustments to reconcile net income to net cash provided by operations: | | | | |
| Depreciation, decommissioning and amortization | 21,724 | 23,157 | 90,934 | 101,470 |
| Amortization of WNP-3 exchange agreement | 1,174 | 1,122 | 4,541 | 5,366 |
| Amortization of deferred charges - Trojan | 9,526 | 7,976 | 32,969 | 9,407 |
| Amortization of deferred charges - other | 2,339 | 1,455 | 5,971 | 6,337 |
| Deferred income taxes - net | 2,812 | 15,263 | 48,635 | 40,939 |
| Other noncash revenues | (334) | (458) | (1,802) | (2,360) |
| (Increase) Decrease in receivables | (17,769) | (28,093) | (62,513) | (56,997) |
| (Increase) Decrease in inventories | 1,117 | 680 | 15,454 | (3,075) |
| Increase (Decrease) in payables | 28,758 | 15,406 | (16,485) | 8,768 |
| Other working capital items - net | (7,618) | (8,098) | 12,953 | 6,637 |
| Deferred charges - other | (1,710) | (456) | (5,062) | (11,167) |
| Miscellaneous - net | 2,361 | 702 | 19,933 | 15,629 |
| | 81,545 | 65,212 | 237,255 | 220,725 |
| INVESTING ACTIVITIES: | | | | |
| Utility construction | (49,594) | (19,528) | (155,853) | (134,676) |
| Energy efficiency programs | (4,834) | (2,379) | (20,604) | (10,846) |
| Rentals received from leveraged leases | 9,668 | 4,132 | 17,541 | 14,035 |
| Trojan decommissioning trust | (2,805) | (2,805) | (11,220) | (12,155) |
| Other | (746) | (540) | (12,929) | (10,853) |

| | | | | |
|--|-----------|----------|-----------|-----------|
| | (48,311) | (21,120) | (183,065) | (154,495) |
| FINANCING ACTIVITIES: | | | | |
| Short-term borrowings - net | (39,149) | (18,703) | (1,710) | 56,998 |
| Long-term debt issued | - | - | 252,000 | 60,000 |
| Long-term debt retired | (11,232) | (8,689) | (282,529) | (90,515) |
| Repayment of nonrecourse borrowings for leveraged leases | (9,159) | (4,942) | (15,172) | (12,782) |
| Preferred stock issued | - | - | - | 30,000 |
| Preferred stock retired | - | - | (3,600) | (31,225) |
| Common stock issued | 43,307 | 2,680 | 50,147 | 10,142 |
| Dividends paid | (14,228) | (14,146) | (56,932) | (56,418) |
| | (30,461) | (43,800) | (57,796) | (33,800) |
| NET CASH PROVIDED BY (USED IN) | | | | |
| CONTINUING OPERATIONS | 2,773 | 292 | (3,606) | 32,430 |
| DISCONTINUED OPERATIONS | 611 | 1,036 | 2,175 | (29,189) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 3,384 | 1,328 | (1,431) | 3,241 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD | 3,202 | 6,689 | 8,017 | 4,776 |
| CASH AND CASH EQUIVALENTS AT THE END OF PERIOD | \$ 6,586 | \$ 8,017 | \$ 6,586 | \$ 8,017 |
| Supplemental disclosures of cash flow information | | | | |
| Cash paid during the period: | | | | |
| Interest | \$ 12,608 | 17,110 | \$ 69,759 | \$73,884 |
| Income taxes | (211) | (490) | 12,538 | 21,785 |

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

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Portland General Corporation and Subsidiaries

Notes to Financial Statements
(Unaudited)

Note 1

Principles of Interim Statements

The interim financial statements have been prepared by Portland General Corporation (Portland General) and, in the opinion of management, reflect all material adjustments which are necessary to a fair statement of results for the interim periods presented. Certain information and footnote disclosures made in the last annual report on Form 10-K have been condensed or omitted for the interim statements. Certain costs are estimated for the full year and allocated to interim periods based on the estimates of operating time expired, benefit received or activity associated with the interim period. Accordingly, such costs are subject to year-end adjustment. It is Portland General's opinion that, when the interim statements are read in conjunction with the 1993 Annual Report on Form 10-K, the disclosures are adequate to make the information presented not misleading.

Reclassifications

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

Note 2

Regulatory Matters

Public Utility Commission of Oregon

Portland General Electric Company (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 Oregon Public Utility Commission (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 refunded approximately \$17 million to customers.

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 filed an appeal in Multnomah County Circuit Court to overturn the PUC's order implementing settlement which was later dismissed in December 1992.

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. In September 1992 the

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Portland General Corporation and Subsidiaries

Notes to Financial Statements (Unaudited)

Marion County Circuit Court judge issued a decision upholding the PUC orders approving the settlement. CUB appealed this decision to the Oregon Supreme Court which denied CUB's petition for review in April 1994.

The settlement, however, did not resolve the Boardman/Intertie gain issue, which the parties continue to litigate. PGE's position is that 28% of the gain should be allocated to customers. The 1987 rate order allocated 77% 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, \$120 million at March 31, 1994, is shown as "Regulatory reserves" on the balance sheet.

Note 3

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 (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 ruled that the methodology for the allocation of shared costs required the application of principles akin to those espoused by Chemical Bank, the Trustee for the bondholders. In February 1992, the Court of Appeals reversed the US District Court's decision and 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. A trial remains necessary to assure that the allocations are properly performed.

Bonneville Pacific Class Action Suit and Lawsuit

A consolidated case of all previously filed class actions has been filed in U.S. District Court for the District of Utah (the Court) purportedly on behalf of purchasers of common shares and convertible subordinated debentures of Bonneville Pacific Corporation (Bonneville Pacific) in the period from August 18, 1989 until January 22, 1992 alleging violations of federal and Utah state securities laws, common law fraud and negligent misrepresentation. The defendants are specific Bonneville Pacific insiders, Portland General, Portland General Holdings, Inc. (Holdings), certain Portland General affiliated individuals, Deloitte &

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Portland General Corporation and Subsidiaries

Notes to Financial Statements (Unaudited)

Touche and three underwriters of a Bonneville Pacific offering of subordinated debentures.

In May 1994 the Court issued an order on the defendants' motion to dismiss. The order dismisses the claims filed by the plaintiffs against Portland General, Holdings and the Portland General affiliated individuals for common law fraud and negligent misrepresentation, primary liability for violations of the federal securities laws and secondary liability for aiding and abetting and conspiracy to violate the federal securities laws. The order permanently dismisses the secondary liability claims. The Court stated that it will consider an amendment to the complaint with regard to the other claims. The Court also held that it would not consider the claims for Utah state securities law violations until certain issues are addressed by the Utah state courts.

A separate legal proceeding has been initiated by the bankruptcy trustee for Bonneville Pacific who has filed an amended complaint against Portland General, Holdings and certain affiliated individuals in US District Court for the District of Utah alleging common law fraud, breach of fiduciary duty, tortious interference, negligence, negligent misrepresentation and other actionable wrongs. The original suit was filed by Bonneville Pacific prior to the appointment of the bankruptcy trustee. The amount of damages sought is not specified in the complaint.

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, that these matters will not have a material adverse effect on the financial condition of Portland General.

Other Bonneville Pacific Related Litigation

Holdings filed complaints seeking approximately \$228 million in damages in the Third Judicial District Court for Salt Lake County (Utah) against Deloitte & Touche and certain other parties associated with Bonneville Pacific alleging that it relied on fraudulent and negligent statements and omissions by Deloitte & Touche and the other defendants when it acquired a 46% interest in and made loans to Bonneville Pacific starting in September 1990.

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Portland General Corporation and Subsidiaries

Notes to Financial Statements (Unaudited)

Note 4

Income Taxes

The IRS has issued a statutory notice of tax deficiency, which Portland General is contesting, related to its examination of Portland General's 1985 tax return. The IRS has proposed to disallow PGE's 1985 WNP-3 abandonment loss deduction on the premise that it is a taxable exchange. Portland General 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.

Note 5

Trojan Nuclear Plant

Shutdown - In early 1993, PGE ceased commercial operation of the Trojan Nuclear Plant (Trojan) as recommended in PGE's Least Cost Plan (LCP). On June 3, 1993 the PUC acknowledged PGE's LCP.

Decommissioning Estimate - PGE estimates the cost to decommission Trojan to be \$409 million reflected in nominal dollars (actual dollars expected to be spent in each year). This represents a site-specific decommissioning cost estimate performed for Trojan by an experienced decommissioning engineering firm and assumes that the majority of decommissioning activities will occur between 1998 and 2002, after construction of a temporary dry spent fuel storage facility. Decommissioning of the temporary dry spent fuel storage facility and final nonradiological site remediation activities will occur in 2018 after PGE completes shipment of spent fuel to a United States Department of Energy (USDOE) facility.

The decommissioning cost estimate includes the cost of decommissioning

planning, removal and burial of irradiated equipment and facilities as required by the Nuclear Regulatory Commission (NRC); building demolition and nonradiological site remediation; and fuel management costs including licensing, surveillance and transition costs. Transition costs of \$75 million are the costs associated with operating and maintaining the spent fuel pool and securing the plant until dismantlement can begin. While most decommissioning costs will utilize funds from PGE's Nuclear Decommissioning Trust (NDT), transition costs will continue to be paid from current operating funds.

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Portland General Corporation and Subsidiaries

Notes to Financial Statements
(Unaudited)

PGE plans to submit a formal decommissioning plan to the NRC in mid-1994. Presently, PGE is planning to accelerate the removal of some of Trojan's large components which is expected to result in overall decommissioning cost savings. Since PGE plans to perform this work prior to receiving NRC approval of its formal decommissioning plan, specific approvals will be required from the NRC and the Energy Facility Siting Council of Oregon. Additionally, the NRC must approve the use of PGE's NDT funds for removal of large components. PGE plans to begin this work in 1994.

Assumptions used to develop the site-specific cost estimate for decommissioning represent the best information PGE has currently. However, PGE is continuing its analysis of various options which could change the timing and scope of decommissioning activities. PGE expects any future changes in estimated decommissioning costs to be incorporated in future revenues to be collected from customers.

Investment Recovery - PGE filed a general rate case on November 8, 1993, requesting continued recovery of Trojan plant costs, including decommissioning. In May 1994, the PUC issued an order to delay consideration of the Trojan-related issues and cost of capital until August 1994 in order to allow the PUC Staff to retain an expert to consult and advise the PUC regarding Trojan plant operations. Hearings are scheduled for October 1994.

The analysis performed for the LCP assumed that continued recovery of the Trojan plant investment, including future decommissioning costs, would be granted by the PUC. Regarding the authority of the PUC to grant recovery, the Oregon Department of Justice (Attorney General) issued an opinion that the PUC may allow rate recovery of total plant costs, including operating expenses, taxes, decommissioning costs, return of capital invested in the plant and return on the undepreciated investment. While the Attorney General's opinion does not guarantee recovery of costs associated with the shutdown, it does clarify that under current law the PUC has authority to allow recovery of such costs in rates.

PGE asked the PUC to resolve certain legal and policy questions regarding the statutory framework for future ratemaking proceedings related to the recovery of the Trojan investment and decommissioning costs. On August 9, 1993 the PUC issued a declaratory ruling agreeing with the Attorney General's opinion discussed above. The ruling also stated that the PUC will favorably consider allowing PGE to recover in rates some or all of its return on and return of its undepreciated investment in Trojan, including decommissioning costs, if PGE meets certain conditions. PGE believes that its general rate filing provides evidence that satisfies the conditions established by the

PUC. URP and CUB have appealed the PUC ruling.

Management believes that the PUC will grant future revenues to cover all, or substantially all, of Trojan plant costs with an

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Portland General Corporation and Subsidiaries

Notes to Financial Statements
(Unaudited)

appropriate return. However, future recovery of the Trojan plant investment and future decommissioning costs requires PUC approval in a public regulatory process. Although the PUC has allowed PGE to continue, on an interim basis, collection of these costs in the same manner as prescribed in the Company's last general rate proceeding, the PUC has yet to address recovery of costs related to a prematurely retired plant when the decision to close the plant was based upon a least cost planning process. Due to uncertainties inherent in a public process, management cannot predict, with certainty, whether all, or substantially all, of the \$361 million Trojan plant investment and \$352 million of future decommissioning costs will be recovered. Management believes the ultimate outcome of this public regulatory process will not have a material adverse effect on the financial condition, liquidity or capital resources of Portland General. However, it may have a material impact on the results of operations for a future reporting period.

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Portland General Electric Company and Subsidiaries

Financial Statements and Related Information

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| Financial Statements | 22 |
| Notes to Financial Statements | 25 |

* The discussion is substantially the same as that disclosed by Portland General and, therefore, is incorporated by reference to information provided on the page number listed above.

</TABLE>
 <TABLE>
 <CAPTION>

Portland General Electric Company and Subsidiaries

Consolidated Statements of Income for the
 Three Months and Twelve Months ended March 31, 1994 and 1993
 (Unaudited)

| | Three Months Ended March 31 | | Twelve months ended March 31 | |
|--|--------------------------------|-----------|---------------------------------|-----------|
| | 1994 | 1993 | 1994 | 1993 |
| | (Thousands of Dollars) | | | |
| <S> | <C> | <C> | <C> | <C> |
| OPERATING REVENUES | \$277,672 | \$276,304 | \$945,899 | \$919,488 |
| OPERATING EXPENSES | | | | |
| Purchased power and fuel | 100,970 | 90,808 | 321,875 | 249,579 |
| Production and distribution | 15,406 | 20,591 | 68,391 | 91,997 |
| Maintenance and repairs | 9,159 | 15,118 | 49,361 | 73,609 |
| Administrative and other | 22,007 | 23,926 | 96,489 | 105,836 |
| Depreciation, decommissioning and amortization | 30,770 | 30,638 | 122,030 | 99,013 |
| Taxes other than income taxes | 14,237 | 16,009 | 53,904 | 55,879 |
| Income taxes | 30,372 | 27,845 | 74,017 | 78,462 |
| | 222,921 | 224,935 | 786,067 | 754,375 |
| NET OPERATING INCOME | 54,751 | 51,369 | 159,832 | 165,113 |
| OTHER INCOME (DEDUCTIONS) | | | | |
| Allowance for equity funds used during construction | - | - | - | 311 |
| Other | 1,815 | 2,339 | 11,247 | 7,167 |
| Income taxes | (136) | (407) | (3,731) | 2,831 |
| | 1,679 | 1,932 | 7,516 | 10,309 |
| INTEREST CHARGES | | | | |
| Interest on long-term debt and other | 14,711 | 15,208 | 61,320 | 63,017 |
| Interest on short-term borrowings | 996 | 884 | 3,555 | 2,900 |
| Allowance for borrowed funds used during construction | (464) | (173) | (1,076) | (2,146) |
| | 15,243 | 15,919 | 63,799 | 63,771 |
| NET INCOME | 41,187 | 37,382 | 103,549 | 111,651 |
| PREFERRED DIVIDEND REQUIREMENT | 2,988 | 3,068 | 11,966 | 12,487 |
| INCOME AVAILABLE FOR COMMON STOCK | \$ 38,199 | \$ 34,314 | \$ 91,583 | \$ 99,164 |

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS FOR THE
 THREE MONTHS AND TWELVE MONTHS ENDED MARCH 31, 1994 AND 1993
 (Unaudited)

| | Three Months Ended March 31 | | Twelve months ended March 31 | |
|--|--------------------------------|------|---------------------------------|------|
| | 1994 | 1993 | 1994 | 1993 |

(Thousands of Dollars)

| | | | | |
|---|-----------|-----------|-----------|-----------|
| BALANCE AT BEGINNING OF PERIOD | \$179,297 | \$165,949 | \$181,678 | \$158,286 |
| NET INCOME | 41,187 | 37,382 | 103,549 | 111,651 |
| ESOP TAX BENEFIT & AMORTIZATION OF PREFERRED STOCK PREMIUM | (370) | (379) | (1,515) | (3,079) |
| | 220,114 | 202,952 | 283,712 | 266,858 |
| DIVIDENDS DECLARED | | | | |
| Common stock | 15,393 | 18,206 | 70,013 | 72,693 |
| Preferred stock | 3,051 | 3,068 | 12,029 | 12,487 |
| | 18,444 | 21,274 | 82,042 | 85,180 |
| BALANCE AT END OF PERIOD | \$201,670 | \$181,678 | \$201,670 | \$181,678 |

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

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<CAPTION>

Portland General Electric Company and Subsidiaries

Consolidated Balance Sheets
as of March 31, 1994 and December 31, 1993

| | (Unaudited) March 31 1994 | December 31 1993 |
|--|---------------------------------|---------------------|
| | (Thousands of Dollars) | |
| ASSETS | | |
| <S> | <C> | <C> |
| ELECTRIC UTILITY PLANT - ORIGINAL COST | | |
| Utility plant (includes Construction Work in Progress of \$75,781 and \$46,679) | \$2,417,646 | \$2,370,460 |
| Accumulated depreciation and decommissioning | (914,245) | (894,284) |
| | 1,503,401 | 1,476,176 |
| Capital leases - less amortization of \$24,168 and \$23,626 | 13,150 | 13,693 |
| | 1,516,551 | 1,489,869 |
| OTHER PROPERTY AND INVESTMENTS | | |
| Conservation loans | 11,622 | 12,018 |
| Trojan decommissioning trust, at market value | 49,852 | 48,861 |
| Other investments | 65,798 | 65,696 |
| | 127,272 | 126,575 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 5,560 | 2,099 |
| Accounts and notes receivable | 86,551 | 85,169 |
| Unbilled and accrued revenues | 149,991 | 133,476 |
| Inventories, at average cost | 45,417 | 46,534 |
| Prepayments and other | 27,869 | 20,646 |
| | 315,388 | 287,924 |
| DEFERRED CHARGES | | |
| Unamortized regulatory assets | | |
| Trojan abandonment - Plant | 361,031 | 366,712 |
| Trojan abandonment - Decommissioning | 352,237 | 355,718 |
| Trojan - other | 66,825 | 66,387 |
| Income taxes recoverable | 222,887 | 228,233 |
| Debt reacquisition costs | 34,267 | 34,941 |
| Energy efficiency programs | 43,488 | 39,480 |
| Other | 32,938 | 33,857 |
| WNP-3 settlement exchange agreement | 176,829 | 178,003 |
| Miscellaneous | 25,032 | 18,975 |

| | |
|-------------|-------------|
| 1,315,534 | 1,322,306 |
| \$3,274,745 | \$3,226,674 |

CAPITALIZATION AND LIABILITIES

| | | |
|--|-------------|-------------|
| CAPITALIZATION | | |
| Common stock equity | \$ 812,664 | \$ 747,197 |
| Cumulative preferred stock | | |
| Subject to mandatory redemption | 60,000 | 70,000 |
| Not subject to mandatory redemption | 69,704 | 69,704 |
| Long-term debt | 798,778 | 802,994 |
| | 1,741,146 | 1,689,895 |
| CURRENT LIABILITIES | | |
| Long-term debt and preferred stock due within one year | 46,400 | 41,614 |
| Short-term borrowings | 87,064 | 129,920 |
| Accounts payable and other accruals | 107,386 | 111,647 |
| Accrued interest | 21,473 | 17,139 |
| Dividends payable | 18,736 | 21,486 |
| Accrued taxes | 61,726 | 27,395 |
| | 342,785 | 349,201 |
| OTHER | | |
| Deferred income taxes | 536,139 | 534,194 |
| Deferred investment tax credits | 59,389 | 60,706 |
| Regulatory reserves | 120,034 | 120,410 |
| Trojan decommissioning reserve and misc. closure costs | 404,838 | 407,610 |
| Miscellaneous | 70,414 | 64,658 |
| | 1,190,814 | 1,187,578 |
| | \$3,274,745 | \$3,226,674 |

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

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<CAPTION>

Portland General Electric Company and Subsidiaries

Consolidated Statements of Capitalization
as of March 31, 1994 and December 31, 1993

| | (Unaudited) | | | |
|---|------------------------|-------|---------------------|-------|
| | March 31 1994 | | December 31 1993 | |
| | (Thousands of Dollars) | | | |
| <S> | <C> | <C> | <C> | <C> |
| COMMON STOCK EQUITY | | | | |
| Common stock, \$3.75 par value per share, 100,000,000 shares authorized, 42,758,877 and 40,458,877 shares outstanding | \$160,346 | | \$151,721 | |
| Other paid in capital, net | 467,769 | | 433,978 | |
| Unearned compensation | (17,121) | | (17,799) | |
| Retained earnings | 201,670 | | 179,297 | |
| | 812,664 | 46.7% | 747,197 | 44.2% |
| CUMULATIVE PREFERRED STOCK | | | | |
| Subject to mandatory redemption | | | | |
| No par value, 30,000,000 shares authorized | | | | |
| 7.75% Series, 300,000 shares outstanding | 30,000 | | 30,000 | |
| 8.10% Series, 500,000 shares outstanding | 50,000 | | 50,000 | |
| Current sinking fund | (20,000) | | (10,000) | |
| | 60,000 | 3.4 | 70,000 | 4.2 |

| | | | | |
|---|-------------|--------|-------------|--------|
| 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 | |
| | 69,704 | 4.0 | 69,704 | 4.1 |
| LONG TERM DEBT | | | | |
| First mortgage bonds | | | | |
| Maturing 1994 through 1999 | | | | |
| 4 3/4% Series due April 1, 1994 | - | | 8,119 | |
| 4.70% Series due March 1, 1995 | 3,045 | | 3,220 | |
| 5 7/8% Series due June 1, 1996 | 5,366 | | 5,366 | |
| 6.60% Series due October 1, 1997 | 15,363 | | 15,363 | |
| Medium term notes 5.65% 9.27% | 242,000 | | 242,000 | |
| Maturing 2002 through 2004 6.47% 9.07% | 165,845 | | 166,283 | |
| Maturing 2021 through 2023 7.75% 9.46% | 195,000 | | 195,000 | |
| Pollution control bonds | | | | |
| Port of Morrow, Oregon, variable rate | | | | |
| (Average 2.3% for 1993), due 2013 | 23,600 | | 23,600 | |
| City of Forsyth, Montana, variable rate | | | | |
| (Average 2.4% for 1993), due 2013 | | | | |
| through 2016 | 118,800 | | 118,800 | |
| Amount held by trustee | (8,621) | | (8,537) | |
| Port of St. Helens, Oregon, due 2010 and 2014 | | | | |
| (Average variable 2.2% 2.4% for 1993) | 51,600 | | 51,600 | |
| Capital lease obligations | 13,150 | | 13,693 | |
| Other | 30 | | 101 | |
| | 825,178 | | 834,608 | |
| Long term debt due within one year | (26,400) | | (31,614) | |
| | 798,778 | 45.9 | 802,994 | 47.5 |
| | | | | |
| Total capitalization | \$1,741,146 | 100.0% | \$1,689,895 | 100.0% |

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

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<CAPTION>

Portland General Electric Company and Subsidiaries
Consolidated Statements of Cash Flow for the
Three Months and Twelve Months Ended March 31, 1994 and 1993
(Unaudited)

| | Three Months Ended | | Twelve Months Ended | |
|--|------------------------|-----------|---------------------|-----------|
| | March 31 | | March 31 | |
| | 1994 | 1993 | 1994 | 1993 |
| | (Thousands of Dollars) | | | |
| <S> | <C> | <C> | <C> | <C> |
| CASH PROVIDED (USED) BY - | | | | |
| OPERATIONS: | | | | |
| Net Income | \$ 41,187 | \$ 37,382 | \$103,549 | \$111,651 |
| Non-cash items included in net income: | | | | |
| Depreciation, decommissioning and amortization | 21,718 | 23,123 | 90,931 | 101,526 |
| Amortization of WNP-3 exchange agreement | 1,174 | 1,122 | 4,541 | 5,366 |
| Amortization of deferred charges - Trojan | 9,526 | 7,976 | 32,969 | 9,407 |
| Amortization of deferred charges - other | 2,339 | 1,438 | 5,988 | 6,333 |
| Deferred income taxes - net | 7,577 | 14,293 | 54,005 | 19,421 |
| Other noncash revenues | - | - | - | (311) |
| Changes in working capital: | | | | |
| (Increase) Decrease in receivables | (17,577) | (27,029) | (57,979) | (53,252) |
| (Increase) Decrease in inventories | 1,117 | 680 | 15,454 | (3,076) |
| Increase (Decrease) in payables | 34,404 | 21,844 | (14,028) | 13,045 |
| Other working capital items - net | (8,730) | (7,751) | 9,621 | 7,507 |
| Deferred charges - other | (1,710) | (456) | (5,062) | (12,010) |
| Miscellaneous - net | 1,908 | (225) | 17,163 | 16,038 |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| | 92,933 | 72,397 | 257,152 | 221,645 |
| INVESTING ACTIVITIES: | | | | |
| Utility construction | (49,594) | (19,528) | (155,853) | (134,676) |
| Energy efficiency programs | (4,834) | (2,379) | (20,604) | (10,846) |
| Trojan decommissioning trust | (2,805) | (2,805) | (11,220) | (12,155) |
| Other investments | (511) | (485) | (9,119) | (8,516) |
| | (57,744) | (25,197) | (196,796) | (166,193) |
| FINANCING ACTIVITIES: | | | | |
| Short-term debt - net | (42,856) | (14,614) | 1,613 | 41,995 |
| Long-term debt issued | - | - | 252,000 | 60,000 |
| Long-term debt retired | (8,732) | (8,689) | (267,029) | (70,515) |
| Preferred stock issued | - | - | - | 30,000 |
| Preferred stock retired | - | - | (3,600) | (31,225) |
| Common stock issued | 41,055 | - | 41,055 | - |
| Dividends paid | (21,195) | (21,274) | (84,872) | (84,167) |
| | (31,728) | (44,577) | (60,833) | (53,912) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | |
| | 3,461 | 2,623 | (477) | 1,540 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD | | | | |
| | 2,099 | 3,414 | 6,037 | 4,497 |
| CASH AND CASH EQUIVALENTS AT THE END OF PERIOD | | | | |
| | \$ 5,560 | \$ 6,037 | \$ 5,560 | \$ 6,037 |
| Supplemental disclosures of cash flow information | | | | |
| Cash paid during the period: | | | | |
| Interest | \$ 10,376 | \$ 14,360 | \$ 64,248 | \$ 65,719 |
| Income taxes | (6,100) | - | 11,142 | 61,737 |

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

| | |
|--------------------------------|------|
| | Page |
| Notes to Financial Statements* | 15 |

* The notes are substantially the same as that disclosed by Portland General, therefore, are incorporated by reference to information provided on page number listed above.

</TABLE>

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Portland General Corporation and Subsidiaries
Part II. Other Information

Item 1. Legal Proceedings

For background information, see Portland General's report on Form 10-K for the year ended December 31, 1993.

UTILITY

Citizens' Utility Board of Oregon/Utility Reform Project v. Public Utility Commission of Oregon, Marion County Circuit Court

In early 1994 the Citizens' Utility Board of Oregon (CUB) and the Utility Reform Project (URP) appealed the Public Utility Commission of Oregon's (PUC) decision to deny reconsideration of the PUC's order in DR-10, the Declaratory Ruling regarding recovery of Trojan investment and decommissioning collection. See the Investment Recovery discussion of the Trojan Related Issues in the Financial and Operating Outlook section for further details. These appeals

were consolidated and on March 4, 1994 Portland General Electric Company (PGE) intervened in the litigation.

PGE v. Ronald Eachus, Myron Katz, Nancy Ryles (Oregon Public Utility Commissioners) and the Oregon Public Utility Commission, Marion County Circuit Court

In July 1990 PGE reached an out-of court settlement with the PUC on two of three 1987 rate matters being litigated and the PUC issued an order implementing the settlement in August 1991.

URP filed an appeal in the Multnomah County Circuit Court to overturn the PUC's order implementing settlement. This appeal was dismissed in December 1992. CUB also filed an appeal in Marion County Circuit Court seeking to modify, vacate, set aside or reverse the PUC's order implementing the settlement. In September 1992 Marion County Circuit Court issued a decision upholding the PUC order. CUB appealed this decision to the Oregon Supreme Court which denied the petition for review on April 5, 1994.

Columbia Steel Casting Co., Inc. v. Oregon Public Utility Commission, Oregon Court of Appeals

On January 18, 1994 Columbia Steel Casting Co., Inc. (Columbia Steel) filed with the Oregon Supreme Court for review of the Court of Appeals decision. This filing was denied by the Oregon Supreme Court on March 22, 1994.

NONUTILITY

Gerhard W. Gohler, IRA, et al v. Robert L. Wood, et al U.S. District Court for the District of Utah

In May 1994 the U.S. District Court for the District of Utah (the Court) issued an order on the defendants' motion to dismiss. The order dismisses the claims filed by the plaintiffs against Portland General Corporation (Portland General), Portland General Holdings, Inc. and certain Portland

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Portland General Corporation and Subsidiaries Part II. Other Information

General affiliated individuals for common law fraud and negligent misrepresentation, primary liability for violations of the federal securities laws and secondary liability for

aiding and abetting and conspiracy to violate the federal securities laws. The order permanently dismisses the secondary liability claims. The Court stated that it will consider an amendment to the complaint with regard to the other claims. The Court also held that it would not consider the claims for Utah state securities law violations until certain issues are addressed by the Utah state courts.

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

| Number | Exhibit | Page |
|--------|--|------|
| (10) | Outside Directors' Stock Compensation Plan | 29 |

b. Reports on Form 8-K

February 15, 1994 - Item 5. Other Events

Financial Information

Portland General Corporation's and Portland General Electric Company's 1993 financial information.

March 21, 1994 - Item 5. Other Events

Regulatory Matters

In a March 1994 motion, the PUC Staff recommended the general rate proceeding schedule for the Trojan-related issues and cost of capital be amended to delay consideration of these issues until August 1994 with hearings scheduled for October 1994.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

PORTLAND GENERAL CORPORATION
PORTLAND GENERAL ELECTRIC COMPANY
(Registrants)

May 12, 1994

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

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

WHEREAS, pursuant to Section 9.1 of the Portland General Corporation Amended and Restated Outside Directors' Stock Compensation Plan (the "Plan"), the Board of Directors of Portland General Corporation (the "Corporation") may amend the Plan so long as no amendment shall adversely affect any then outstanding Award, and

WHEREAS, the Plan has not been amended within the past six months of adoption of this Amendment No. 1, and

WHEREAS, the Board wishes to amend the Plan to provide for a delay of a new grant of stock to a Director who has made a "sale" under Section 16 of the Securities Exchange Act and the Rules thereunder,

NOW THEREFORE, effective as of February 8, 1994, and subject to review and approval by the Securities Exchange Commission, as may be necessary and appropriate, the Plan is hereby amended as follows:

1. Section 2.3 is hereby deleted and the following new Section 2.3 is inserted as follows:

"2.3 After all of the shares of Common Stock from an Award have vested, the award cycle shall be repeated for each Director unless the Board determines to terminate the Plan. The Award Date for the next Award to a Director shall be the later of the date of the PGC Annual Meeting of Shareholders coinciding with the last Anniversary Date for the prior Award to such Director or six (6) months after the date of the last preceding sale of any equity security of PGC by such Director.

The next award shall be \$50,000 worth of Common Stock,
to the nearest whole share, subject to Section 2.2.

Page 1 - AMENDMENT NO. 1 - OUTSIDE DIRECTOR STOCK PLAN

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Such Common Stock shall be acquired, vest and otherwise
be subject to all the provisions of this Plan."

IN WITNESS WHEREOF, the Board of Directors of the
Corporation has adopted this amendment on the 8th day of February
1994.

PORTLAND GENERAL CORPORATION

By: /s/ Ken L. Harrison
Ken L. Harrison
Chairman of the Board

Page 2 - AMENDMENT NO. 1 - OUTSIDE DIRECTOR STOCK PLAN

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