PORTLAND GENERAL ELECTRIC CO /OR/
Form 10-Q
October 29, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

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: 1-5532-99

PORTLAND GENERAL ELECTRIC COMPANY

(Exact name of registrant as specified in its charter)

Oregon	**93-0256820**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

121 SW Salmon Street

Portland, Oregon 97204

(503) 464-8000

(Address of principal executive offices, including zip code,

and Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has 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 registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). ¨ Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

Number of shares of common stock outstanding as of October 26, 2009 is 75,191,682 shares.

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PORTLAND GENERAL ELECTRIC COMPANY

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2009

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DEFINITIONS

The following abbreviations and acronyms are used throughout this document:

Abbreviation or Acronym	Definition
AFDC	Allowance for funds used during construction
ASC	Accounting Standards Codification
Biglow Canyon	Biglow Canyon Wind Farm
Boardman	Boardman coal plant
CERS	California Energy Resources Scheduling
Colstrip	Colstrip Units 3 and 4 coal plant
DEQ	Oregon Department of Environmental Quality
EITF	Emerging Issues Task Force of the Financial Accounting Standards Board
EPA	U.S. Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
IRP	Integrated Resource Plan
kV	Kilovolt = one thousand volts of electricity
MW	Megawatts
MWa	Average megawatts
MWh	Megawatt hours
NVPC	Net Variable Power Costs
OPUC	Public Utility Commission of Oregon
PCAM	Power Cost Adjustment Mechanism
SB 408	Oregon Senate Bill 408
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards (issued by the Financial Accounting Standards Board)
Trojan	Trojan Nuclear Plant
URP	Utility Reform Project

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

PORTLAND GENERAL ELECTRIC COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Dollars in millions, except per share amounts)

(Unaudited)

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Revenues	$ 445	$ 400	$ 1,319	$ 1,296
Operating expenses:				
Purchased power and fuel	225	217	664	652
Production and distribution	42	40	127	125
Administrative and other	43	48	134	142
Depreciation and amortization	53	54	160	154
Taxes other than income taxes	20	20	64	63
Total operating expenses	383	379	1,149	1,136
Income from operations	62	21	170	160
Other income (expense):				
Allowance for equity funds used during construction	5	3	13	7
Miscellaneous income (expense), net	5	(4)	6	(6)
Other income (expense), net	10	(1)	19	1
Interest expense	25	21	76	67
Income (loss) before income tax expense (benefit)	47	(1)	113	94
Income tax expense (benefit)	16	(1)	32	27
Net income	**31**	**-**	**81**	**67**
Less: net loss attributable to noncontrolling interests	(1)	-	(6)	-
Net income attributable to Portland General Electric Company	**$ 32**	**$ -**	**$ 87**	**$ 67**
Weighted-average shares outstanding (in thousands):				
Basic	75,182	62,554	71,980	62,539
Diluted	75,223	62,607	72,057	62,589
Earnings per share - basic and diluted	$ 0.43	$ -	$ 1.21	$ 1.08

Dividends declared per common share	$	0.255	$	0.245	$	0.755	$	0.725

See accompanying notes to condensed consolidated financial statements.

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PORTLAND GENERAL ELECTRIC COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in millions)

(Unaudited)

	September 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 46	$ 10
Accounts receivable, net	137	168
Unbilled revenues	66	96
Assets from price risk management activities - current	22	31
Inventories	72	71
Margin deposits	86	189
Current deferred income taxes	92	17
Regulatory assets - current	200	194
Other current assets	44	44
Total current assets	765	820
Electric utility plant, net	3,800	3,301
Non-qualified benefit plan trust	48	46
Nuclear decommissioning trust	49	46
Regulatory assets - noncurrent	534	631
Other noncurrent assets	56	45
Total assets	**$ 5,252**	**$ 4,889**

See accompanying notes to condensed consolidated financial statements.

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PORTLAND GENERAL ELECTRIC COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS, continued

(Dollars in millions)

(Unaudited)

	September 30, 2009	December 31, 2008
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 206	$ 217
Liabilities from price risk management activities - current	187	225
Regulatory liabilities - current	57	43
Short-term debt	-	203
Current portion of long-term debt	186	142
Other current liabilities	111	59
Total current liabilities	747	889
Long-term debt, net of current portion	1,408	1,164
Liabilities from price risk management activities - noncurrent	133	201
Regulatory liabilities - noncurrent	658	640
Noncurrent deferred income taxes	408	304
Unfunded status of pension and postretirement plans	177	174
Non-qualified benefit plan liabilities	94	91
Other noncurrent liabilities	72	72
Total liabilities	**3,697**	**3,535**
Commitments and contingencies (see notes)		
Shareholders equity:		
Portland General Electric Company shareholders equity:		
Preferred stock, no par value, 30,000,000 shares authorized; none issued and outstanding as of September 30, 2009 and December 31, 2008	-	-
Common stock, no par value, 160,000,000 shares authorized; 75,191,682 and 62,575,257 shares issued and outstanding as of September 30, 2009 and December 31, 2008, respectively	829	659
Accumulated other comprehensive loss	(5)	(5)
Retained earnings	730	700
Total Portland General Electric Company shareholders equity	1,554	1,354
Noncontrolling interests equity	1	-
Total shareholders equity	**1,555**	**1,354**
Total liabilities and shareholders equity	**$ 5,252**	**$ 4,889**

See accompanying notes to condensed consolidated financial statements.

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PORTLAND GENERAL ELECTRIC COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	Nine Months Ended September 30, 2009	2008
Cash flows from operating activities:		
Net income	$ 81	$ 67
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	160	154
Increase (decrease) in net liabilities (assets) from price risk management activities	(94)	139
Regulatory deferral - price risk management activities	94	(139)
Deferred income taxes	23	9
Allowance for equity funds used during construction	(13)	(7)
Power cost deferrals	(13)	2
Unrealized (gains) losses on non-qualified benefit plan trust assets	(7)	9
Trojan refund liability	3	33
Other non-cash income and expenses, net	10	21
Changes in working capital:		
(Increase) decrease in margin deposits	103	(120)
Decrease in receivables	61	66
Decrease in payables	(51)	(10)
Other working capital items, net	15	7
Other, net	5	(9)
Net cash provided by operating activities	**377**	**222**
Cash flows from investing activities:		
Capital expenditures	(544)	(281)
Sales of nuclear decommissioning trust securities	30	23
Purchases of nuclear decommissioning trust securities	(31)	(20)
Insurance proceeds received	-	3
Other, net	(1)	(2)
Net cash used in investing activities	**(546)**	**(277)**

See accompanying notes to condensed consolidated financial statements.

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PORTLAND GENERAL ELECTRIC COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, continued

(In millions)

(Unaudited)

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of issuance costs	$ 170	$ -
Proceeds from issuance of long-term debt	430	50
Debt issuance costs	(4)	-
Payments on long-term debt	(142)	(56)
Borrowings on revolving credit facilities	82	11
Payments on revolving credit facilities	(213)	-
Borrowings (payments) on short-term debt, net	(72)	27
Dividends paid	(53)	(45)
Noncontrolling interests cash contributions	7	-
Net cash provided by (used in) financing activities	**205**	**(13)**
Change in cash and cash equivalents	36	(68)
Cash and cash equivalents, beginning of period	10	73
Cash and cash equivalents, end of period	**$ 46**	**$ 5**
Supplemental cash flow information is as follows:		
Cash paid during the period for:		
Interest, net of amounts capitalized	$ 46	$ 49
Income taxes	-	8
Non-cash investing and financing activities:		
Accrued capital additions	73	19
Accrued dividends payable	19	15
Former parent s capital contribution of Oregon tax credits	-	13

See accompanying notes to condensed consolidated financial statements.

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PORTLAND GENERAL ELECTRIC COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1: BASIS OF PRESENTATION

Nature of Business

Portland General Electric Company (PGE or the Company) is a single, vertically integrated electric utility engaged in the generation, purchase, transmission, distribution, and retail sale of electricity in the state of Oregon. The Company also sells electricity and natural gas in the wholesale market to utilities, brokers, and power and fuel marketers located throughout the western United States. PGE operates as a single segment, with revenues and costs related to its business activities maintained and analyzed on a total electric operations basis. PGE s corporate headquarters is located in Portland, Oregon and its service area is located entirely within Oregon. The Company served 818,395 retail customers as of September 30, 2009.

As of September 30, 2009, PGE had 2,717 employees, with 889 employees covered under two agreements with Local Union No. 125 of the International Brotherhood of Electrical Workers. One agreement, which covers 854 employees for the three-year period ending February 28, 2012, was ratified in the third quarter of 2009. The other agreement covers 35 employees at the Company s Coyote Springs generating plant for the five-year period ending August 1, 2011.

Condensed Consolidated Financial Statements

These condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to such regulations, although PGE believes that the disclosures provided are adequate to make the interim information presented not misleading.

The financial information included herein for the three and nine month periods ended September 30, 2009 and 2008 is unaudited; however, such information reflects all adjustments, consisting of normal recurring adjustments, that are, in the opinion of management, necessary for a fair presentation of the condensed consolidated financial position, condensed consolidated results of operations and condensed consolidated cash flows of the Company for these interim periods. Certain costs are estimated for the full year and allocated to interim periods based on estimates of operating time expired, benefit received, or activity associated with the interim period; accordingly, such costs may not be reflective of amounts to be recognized for a full year. Due to seasonal fluctuations in electricity sales, as well as the price of wholesale energy and natural gas, interim financial results do not necessarily represent those to be expected for the year. The financial information as of December 31, 2008 is derived from the Company s audited consolidated financial statements and notes thereto for the year ended December 31, 2008, included in Item 8 of PGE s Annual Report on Form 10-K, filed with the SEC on February 25, 2009, and should be read in conjunction with such consolidated financial statements.

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Use of Estimates

The preparation of condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent liabilities, as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results experienced by the Company could differ materially from those estimates.

Reclassifications

During the first quarter of 2009, PGE reconsidered the presentation of its Price risk management assets and liabilities, which previously had all been classified as current, as well as its Regulatory assets and liabilities, which previously had all been classified as noncurrent. The Company determined it was preferable to present such assets and liabilities as either current or noncurrent based on the expected settlement dates of the underlying contracts for Price risk management assets and liabilities and the timing of amortization or the timing of the collection or refund of the respective Regulatory asset or liability. To conform to the 2009 presentation, certain reclassifications have been made to the December 31, 2008 condensed consolidated balance sheet. These reclassifications include the presentation of noncurrent Price risk management assets of $8 million (included in Other noncurrent assets) and noncurrent Price risk management liabilities of $201 million, all of which were previously classified as current, and current portion of Regulatory assets of $194 million and current portion of Regulatory liabilities of $43 million, all of which were previously classified as noncurrent. Deferred taxes associated with these Price risk management assets and liabilities and Regulatory assets and liabilities were also reclassified to current or noncurrent, as appropriate. As a result of the preceding reclassifications, current deferred income taxes of $134 million included in the December 31, 2008 condensed consolidated balance sheet have been reclassified as a reduction of Deferred income tax liabilities to conform to the 2009 presentation.

Recent Accounting Pronouncements

Adopted Accounting Pronouncements

On September 30, 2009, PGE adopted Statement of Financial Accounting Standards No. (SFAS) 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles - a replacement of FASB Statement No. 162* (SFAS 168). SFAS 168 modifies the U.S. generally accepted accounting principles (GAAP) hierarchy created by SFAS 162 by establishing only two levels of GAAP: authoritative and nonauthoritative. SFAS 168, which was codified within ASC 105, *Generally Accepted Accounting Principles*, establishes the *FASB Accounting Standards Codification* (ASC or Codification) as the single source of authoritative U.S. accounting and reporting standards, except for rules and interpretive releases of the SEC under authority of the federal securities laws, which are sources of authoritative GAAP for SEC registrants. All existing accounting standard documents are superseded and all other accounting literature not included in the Codification is considered nonauthoritative. Accordingly, this report and all subsequent public filings will reference the Codification as the sole source of authoritative literature. As the Codification does not change current GAAP, the adoption of SFAS 168 had no material impact on the Company s consolidated financial position, consolidated results of operation, or consolidated cash flows.

On January 1, 2009, PGE adopted Statement of Financial Accounting Standards No. (SFAS) 157, *Fair Value Measurements* (SFAS 157), for nonfinancial assets and liabilities, in accordance with FASB Staff Position No. (FSP) 157-2, *Effective Date of FASB Statement No. 157* (FSP FAS 157-2). SFAS 157, as amended by FSP 157-2, was codified within ASC 820, *Fair Value Measurements and Disclosures* (ASC 820), upon the adoption of SFAS 168. ASC 820 defines fair value, establishes criteria to be considered when measuring fair value and expands disclosures about fair value measurements; it does not modify any currently existing accounting pronouncements. PGE s nonfinancial liabilities include asset retirement obligations (AROs), which are accounted for in accordance with ASC 360, *Property, Plant, and Equipment* (ASC 360), and are initially measured at fair value. In subsequent reporting periods, AROs are not measured at fair value. The application of ASC 820 is not required for recurring measurement of nonfinancial liabilities accounted for pursuant to ASC 360 as amounts are only measured at fair value in the initial period and not in subsequent reporting periods. The adoption of FSP FAS 157-2, which was codified within ASC 820 for nonfinancial assets and liabilities, had no impact on the Company s consolidated financial position, consolidated results of operation, or consolidated cash flows.

On January 1, 2009, PGE adopted SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements-an amendment of ARB No 51* (SFAS 160), which establishes accounting and reporting standards for the noncontrolling interest in a subsidiary, as well as the deconsolidation of a subsidiary. SFAS 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the deconsolidated entity that should be reported as equity in the consolidated financial statements. It also (1) changes the way the consolidated income statement is presented by requiring consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest, (2) establishes a single method of accounting for changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation, and (3) continues to allocate to a noncontrolling interest its share of losses if ever that attribution results in a deficit noncontrolling interest balance. SFAS 160 is to be applied prospectively, with the exception of the presentation and disclosure requirements, which are to be applied retrospectively for all periods presented. Beginning January 1, 2009, any noncontrolling interests resulting from the consolidation of a less-than-wholly-owned subsidiary are accounted for in accordance with SFAS 160. The adoption of SFAS 160, which was codified within ASC 810, *Consolidation*, upon the adoption of SFAS 168, did not have a material impact on PGE s consolidated financial position or consolidated results of operation. However, it did have an impact on the presentation of noncontrolling interests, formerly known as minority interests , in PGE s consolidated financial position, consolidated results of operation, and consolidated cash flows.

On January 1, 2009, PGE adopted SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161), which requires enhanced disclosures about (1) how and why an entity uses derivative instruments, (2) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (3) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. The adoption of SFAS 161, which was codified within ASC 815, *Derivatives and Hedging*, upon the adoption of SFAS 168, did not have an impact on PGE s consolidated financial position, consolidated results of operation, or consolidated cash flows.

On January 1, 2009, PGE adopted FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (FSP EITF 03-6-1), which addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method described in SFAS 128, *Earnings per Share*. All prior period earnings per share data is required to be adjusted retrospectively to conform to the provisions of FSP EITF 03-6-1. The adoption of FSP EITF 03-6-1, which was codified within ASC 260, *Earnings per Share*, upon the adoption of SFAS 168, had no impact on PGE s earnings per share.

On June 30, 2009, PGE adopted SFAS 165, *Subsequent Events* (SFAS 165), which provides guidance on the recognition and disclosure of events that occur after the balance sheet date but before financial statements are issued. The adoption of SFAS 165, which was codified within ASC 855, *Subsequent Events*, upon the adoption of SFAS 168, had no impact on PGE s consolidated financial position, consolidated results of operation, or consolidated cash flows. PGE considered events through October 28, 2009, for purposes of determining whether any event warranted recognition or disclosure in its interim financial statements as of and for the three and nine month periods ended September 30, 2009.

On June 30, 2009, PGE adopted FSP FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments,* which requires disclosures about the fair value of financial instruments in interim financial statements as well as in annual financial statements. The adoption of this new pronouncement, which was codified within ASC 825, *Financial Instruments*, upon the adoption of SFAS 168, had no impact on PGE s consolidated financial position, consolidated results of operation, or consolidated cash flows.

On June 30, 2009, PGE adopted FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP FAS 157-4), which requires, among other things, the disclosure in interim and annual periods (1) the inputs and valuation techniques used to measure fair value and a discussion of changes in valuation techniques and related inputs, if any, during the period, and (2) quantitative disclosures about the fair value measurements separately for each major category of assets and liabilities measured at fair value on a recurring basis. The adoption of FSP FAS 157-4, which was codified within ASC 820 upon the adoption of SFAS 168, had no impact on PGE s consolidated financial position, consolidated results of operation, or consolidated cash flows.

New Accounting Pronouncements

On December 30, 2008, the FASB issued FSP FAS 132(R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets* (FSP FAS 132(R)-1), which requires enhanced annual disclosures about plan assets of an employer s defined benefit pension or other postretirement plans. FSP FAS 132(R)-1 is effective for financial statements for fiscal years ending after December 15, 2009, with earlier application permitted. Upon initial application, the provisions of this FSP are not required for earlier periods that are presented for comparative purposes. The adoption of FSP FAS 132(R)-1, which was codified within ASC 715, *Compensation - Retirement Benefits*, upon the adoption of SFAS 168, is not expected to have a material impact on PGE s consolidated financial position, consolidated results of operation, or consolidated cash flows.

On June 12, 2009, the FASB issued SFAS 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS 167), a revision of FIN 46(R) that changes how a company determines when a variable interest entity (VIE) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity s purpose and design and a company s ability to direct the activities of the entity that most significantly impact the entity s economic performance. SFAS 167 requires a company to provide additional disclosures about its involvement with variable interest entities and what any significant change in risk exposure does to that involvement. A company will also be required to disclose how its involvement with a VIE affects the company s performance. SFAS 167 is effective for fiscal years beginning after November 15, 2009. Earlier application is prohibited. PGE is in the process of determining what impact, if any, that the adoption of SFAS 167, as codified within ASC 810, *Consolidation*, upon the adoption of SFAS 168, will have on its consolidated financial position, consolidated results of operation, or consolidated cash flows.

On August 28, 2009, the FASB issued Accounting Standards Update (ASU) 2009-05, *Fair Value Measurements and Disclosures (Topic 820) - Measuring Liabilities at Fair Value*. This Update provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of certain alternative valuation techniques, as outlined in the Update. ASU 2009-05 is effective for financial statements for

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interim and annual periods beginning after August 28, 2009, with earlier application permitted. The adoption of ASU 2009-05, as codified within ASC 820, did not have a material impact on PGE s consolidated financial position, consolidated results of operation, or consolidated cash flows.

On September 30, 2009, the FASB issued ASU 2009-12, *Fair Value Measurements and Disclosures (Topic 820) - Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. Amendments in this Update provide additional guidance related to measuring the fair value of certain alternative investments. This Update permits, in certain situations, a reporting entity to use the net asset value per share as a practical expedient to measure the fair value of these certain alternative investments. The ASU also requires disclosure by major category of investment about the attributes of the investments, such as the nature of any restrictions on the investor s ability to redeem its investments at the measurement date. ASU 2009-12 is effective for interim and annual periods ending after December 15, 2009, with early application permitted. The adoption of ASU 2009-12, as codified within ASC 820, is not expected to have a material impact on PGE s consolidated financial position, consolidated results of operation, or consolidated cash flows.

NOTE 2: BALANCE SHEET COMPONENTS

Accounts Receivable, Net

Accounts receivable is net of an allowance for uncollectible accounts of $5 million as of September 30, 2009 and $4 million as of December 31, 2008.

The following is the activity in the allowance for uncollectible accounts (in millions):

	Nine Months Ended September 30, 2009	2008
Balance as of beginning of period	$ 4	$ 5
Provision	7	5
Amounts written off, less recoveries	(6)	(6)
Balance as of end of period	$ 5	$ 4

Inventories

Inventories consist primarily of materials, supplies, and fuel. Materials and supplies inventories, used in operations, maintenance, and capital activities, are recorded at average cost. Fuel inventories, which may include natural gas, oil, and coal used in the Company s generating plants, are recorded at the lower of average cost or market.

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Electric Utility Plant, Net

Electric utility plant, net consists of the following (in millions):

	September 30, 2009	December 31, 2008
Electric utility plant	$ 5,513	$ 5,066
Construction work in progress	411	284
Total cost	5,924	5,350
Less: accumulated depreciation and amortization	(2,124)	(2,049)
Electric utility plant, net	$ 3,800	$ 3,301

Accumulated depreciation and amortization in the table above includes amortization of intangible assets of $118 million and $109 million as of September 30, 2009 and December 31, 2008, respectively. Amortization expense related to intangible assets was $4 million for the three months ended September 30, 2009 and 2008, and $12 million and $11 million for the nine months ended September 30, 2009 and 2008, respectively.

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Regulatory Assets and Liabilities

Regulatory assets and liabilities consist of the following (in millions):

	September 30, 2009		December 31, 2008	
	Current	Noncurrent	Current	Noncurrent
Regulatory Assets:				
Price risk management	$ 165	$ 128	$ 194	$ 193
Pension and other postretirement plans	-	230	-	232
Deferred income taxes	-	91	-	88
Boardman power cost deferral	-	36	-	34
Debt reacquisition costs	-	26	-	28
Utility rate treatment of income taxes	12	-	-	17
Other	23	23	-	39
Total regulatory assets	$ 200	$ 534	$ 194	$ 631
Regulatory liabilities:				
Asset retirement removal costs	$ -	$ 529	$ -	$ 494
Utility rate treatment of income taxes	15	21	24	19
Trojan refund liability	36	-	-	34
Power Cost Adjustment Mechanism	6	-	19	-
Asset retirement obligations	-	29	-	26
Trojan ISFSI pollution control tax credits	-	19	-	17
Other	-	60	-	50
Total regulatory liabilities	$ 57	$ 658	$ 43	$ 640

Credit Facilities

PGE has the following unsecured revolving credit facilities:

- A $370 million credit facility with a group of banks, of which $10 million is currently scheduled to terminate in July 2012 and $360 million in July 2013;
- A $125 million credit facility with a group of banks, which is currently scheduled to terminate in December 2009; and
- A $30 million credit facility with a bank, which is currently scheduled to terminate in June 2012.

Pursuant to the individual terms of the agreements, these facilities may be used for borrowings for general corporate purposes and as backup for commercial paper borrowings. The $370 million and $30 million credit facilities also permit the issuance of standby letters of credit. The credit facility agreements contain customary covenants and default provisions, including a requirement that limits consolidated indebtedness, as defined in the agreements, to 65% of total capitalization. As of September 30, 2009, PGE was in compliance with this covenant.

The Company has a commercial paper program under which it may issue commercial paper for terms of up to 270 days, limited to the unused amount of credit under its credit facilities.

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Pursuant to an order issued by the Federal Energy Regulatory Commission (FERC), the Company is authorized to issue up to $550 million of short-term debt, including commercial paper, through February 6, 2010.

As of September 30, 2009, PGE had $190 million in letters of credit outstanding under the credit facilities, and had no borrowings or commercial paper outstanding. As of September 30, 2009, the aggregate amount of unused available credit under the credit facilities was $335 million.

Long-term Debt

During 2009, PGE has issued the following first mortgage bonds:

On January 15, 2009, $67 million of 6.8% Series due January 15, 2016, with interest paid semi-annually on January 15th and July 15th;

On January 15, 2009, $63 million of 6.5% Series due January 15, 2014, with interest paid semi-annually on January 15th and July 15th; and

On April 16, 2009, $300 million of 6.1% Series due April 15, 2019, with interest paid semi-annually on April 15th and October 15th.

First mortgage bonds are secured by a first mortgage lien on substantially all utility property, other than expressly excepted property, and may be redeemed at the Company s option upon 30 days notice to holders, in whole or in part, at a redemption price equal to the greater of (i) 100% of the principal amount of the bonds to be redeemed or (ii) the present value of the remaining principal and interest payments due on the bonds discounted at a rate of treasuries plus 50 basis points.

On May 1, 2009, PGE purchased three series of its outstanding Pollution Control Bonds in the amount of $142 million. These instruments are backed by first mortgage bonds. Although these Pollution Control Bonds are currently owned by PGE, the first mortgage bonds that back them reduce the amount of first mortgage bonds available to the Company for issuance.

On September 30, 2009, PGE entered into an agreement with certain institutional buyers in the private placement market to sell an aggregate of $150 million of 5.43% Series First Mortgage Bonds, which mature May 3, 2040. These bonds are expected to be issued on or about November 3, 2009.

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Pension and Other Postretirement Benefits

The following table provides the components of net periodic benefit cost for the three months ended September 30 (in millions):

	Defined Benefit Pension Plan		Other Postretirement Benefits		Non-Qualified Benefit Plans	
	2009	2008	2009	2008	2009	2008
Service cost	$ 3	$ 3	$ -	$ -	$ -	$ -
Interest cost	7	8	1	1	-	-
Expected return on plan assets	(11)	(11)	(1)	-	-	-
Amortization of prior service cost	1	-	1	-	-	-
Amortization of net actuarial loss	-	-	-	-	1	1
Net periodic benefit cost	$ -	$ -	$ 1	$ 1	$ 1	$ 1

The following table provides the components of net periodic benefit cost (income) for the nine months ended September 30 (in millions):

	Defined Benefit Pension Plan		Other Postretirement Benefits		Non-Qualified Benefit Plans	
	2009	2008	2009	2008	2009	2008
Service cost	$ 9	$ 9	$ 1	$ 1	$ -	$ -
Interest cost	23	23	3	3	1	1
Expected return on plan assets	(33)	(33)	(1)	(1)	-	-
Amortization of prior service cost	1	-	1	1	-	-
Amortization of net gain	-	-	1	-	-	-
Amortization of net actuarial loss	-	-	-	-	1	1
Net periodic benefit cost (income)	$ -	$ (1)	$ 5	$ 4	$ 2	$ 2

PGE currently expects no contributions to its defined benefit pension plan in 2009 and 2010, but estimates that it will be required to make contributions of approximately $40 million in 2011, $19 million in 2012, and $16 million in 2013.

NOTE 3: FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments, both assets and liabilities recognized and not recognized in PGE s condensed consolidated balance sheet, for which it is practicable to estimate fair value is as follows as of September 30, 2009 and December 31, 2008:

The fair value of cash and cash equivalents and short-term debt approximate their carrying amounts due to the short-term nature of these balances;

Derivative instruments are recorded at fair value and are based on published market indices as adjusted for other market factors such as location pricing differences or internally developed models;

Certain trust assets, consisting of money market funds and fixed income securities included in the Nuclear decommissioning trust and marketable securities included in the Non-qualified benefit plan trust, are recorded at fair value and are based on quoted market prices; and

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The fair value of long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to PGE for debt of similar remaining maturities. As of September 30, 2009, the estimated aggregate fair value of PGE s long-term debt was $1,742 million, compared to its $1,594 million carrying amount. As of December 31, 2008, the estimated aggregate fair value of PGE s long-term debt was $1,286 million, compared to its $1,306 million carrying amount.

A fair value hierarchy is used to prioritize the inputs to the valuation techniques used to measure fair value. These three broad levels and application to the Company are discussed below.

Level 1-Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, listed equities and U.S. government treasury securities.

Level 2-Pricing inputs are other than quoted market prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category include non-exchange-traded derivatives such as over-the-counter forwards and swaps.

Level 3-Pricing inputs include significant inputs that are generally less observable than objective sources. These inputs may be used with internally developed methodologies that result in management s best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to customers needs. At each balance sheet date, the Company performs an analysis of all instruments subject to fair value measurement and includes in Level 3 all of those whose fair value is based on significant unobservable inputs.

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The Company s assets and liabilities whose values were recognized at fair value are as follows by level within the fair value hierarchy (in millions):

	As of September 30, 2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Nuclear decommissioning trust *:				
Cash equivalents:				
Cash	$ 29	$ -	$ -	$ 29
U.S. treasury securities	7	-	-	7
Debt securities:				
Corporate debt securities	-	6	-	6
Mortgage-backed securities	-	5	-	5
Other	-	2	-	2
Non-qualified benefit plan trust:				
Equity securities	22	-	-	22
Debt securities - mutual funds	4	-	-	4
Assets from price risk management activities *	-	26	1	27
	$ 62	$ 39	$ 1	$ 102
Liabilities - Liabilities from price risk management activities *	$ -	$ 171	$ 149	$ 320

	As of December 31, 2008			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Nuclear decommissioning trust *:				
Cash	$ 27	$ -	$ -	$ 27
Debt securities:				
Mortgage-backed securities	-	7	-	7
Corporate debt securities	-	4	-	4
Municipal securities	-	4	-	4
Other	-	4	-	4
Non-qualified benefit plan trust:				
Equity securities	23	-	-	23
Debt securities - mutual funds	3	-	-	3
Assets from price risk management activities *	-	33	6	39
	$ 53	$ 52	$ 6	$ 111
Liabilities - Liabilities from price risk management activities *	$ -	$ 297	$ 129	$ 426

* Activities are subject to regulation, with certain gains and losses deferred for future recovery from, or refund to, retail customers and included in Regulatory assets or Regulatory liabilities, as appropriate.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Nuclear decommissioning trust assets reflect the assets held in trust to cover general decommissioning costs and operation of the Independent Spent Fuel Storage Installation and consist of money market funds and fixed income securities. Non-qualified benefit plan trust reflects the assets held in trust to cover the obligations of PGE s non-qualified benefit plans and consist primarily of marketable securities. These assets also include investments recorded at cash surrender value, which are excluded from the table above as they are not measured at fair value.

Assets and liabilities from price risk management activities represent derivative transactions entered into by PGE to manage its exposure to commodity price risk and minimize net power costs for service to the Company s retail customers and may consist of forward, swap, and option contracts for electricity, natural gas, oil, and foreign currency, and futures contracts for natural gas and oil. PGE applies a market based approach to the fair value measurement of its derivative transactions. Inputs into the valuation of derivative activities include forward commodity and foreign exchange pricing, interest rates, volatility and correlation. PGE utilizes the Black-Scholes and Monte Carlo pricing models for commodity option contracts. Forward pricing, which employs the mid-point of the market s bid-ask spread, is derived using observed transactions in active markets, as well as historical experience as a participant in those markets, and nonbinding broker quotes. Interest rates used to calculate the present value of derivative valuations incorporate PGE s borrowing ability. PGE considers the creditworthiness of its counterparties when determining the appropriateness of a particular transaction s assigned Level in the fair value hierarchy.

Changes in the fair value of assets and liabilities from price risk management activities classified as Level 3 in the fair value hierarchy were as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Balance as of beginning of period	$ (156)	$ 170	$ (123)	$ 1
Net realized and unrealized gains (losses)	10	(208)	(24)	(9)
Purchases, issuances, and settlements, net	-	(23)	1	(52)
Net transfers out of Level 3	(2)	(1)	(2)	(2)
Balance as of end of period	$ (148)	$ (62)	$ (148)	$ (62)

Net realized and unrealized gains (losses) are recorded in Purchased power and fuel expense in the condensed consolidated statements of income and include $10 million and $(236) million for the three months ended September 30, 2009 and 2008, respectively, and ($27) million and ($60) million for the nine months ended September 30, 2009 and 2008, respectively, of Level 3 net unrealized gains (losses) that have been fully offset by the effects of regulatory accounting.

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NOTE 4: PRICE RISK MANAGEMENT

PGE obtains power from both its own generating resources and from the wholesale market. The Company participates in the wholesale marketplace in order to balance its supply of power to meet the needs of its retail customers, manage risk, and administer its existing long-term wholesale contracts. Such activities include power purchases and sales resulting from economic dispatch decisions for its own generation. As a result of this ongoing business activity, PGE is exposed to commodity price risk and, to a limited extent, foreign currency exchange rate risk. PGE utilizes derivative instruments, which may include forward, swap, and option contracts for electricity, natural gas, oil, and foreign currency, and futures contracts for natural gas and oil, in its retail electric utility activities to manage its exposure to commodity price risk and foreign exchange rate risk, mitigate the effects of market fluctuations, and minimize net power costs for service to its retail customers. PGE may designate certain derivative instruments as cash flow hedges or may use derivative instruments as economic hedges. PGE does not engage in trading activities for non-retail purposes.

Assets and liabilities resulting from PGE s derivative activities are classified as assets or liabilities from price risk management activities, respectively, in the Company s condensed consolidated balance sheets.

As of September 30, 2009, net volumes related to PGE s Assets and Liabilities from price risk management activities, which are expected to deliver or settle at various dates through 2013, were as follows (in millions):

Type	**Volume**	
Commodity:		
Electricity	13	MWh
Natural gas	114	Decatherms
Foreign exchange	$4	Canadian

As of September 30, 2009, PGE s Assets and Liabilities resulting from its derivative activities, offset by regulatory accounting, consist of the following (in millions):

	Asset Derivatives		**Liability Derivatives**	
	Balance Sheet Classification	**Fair Value**	**Balance Sheet Classification**	**Fair Value**
Derivatives not designated as hedging instruments:				
Commodity contracts:				
Electricty	Current assets	$ 13	Current liabilities	$ 104
Natural gas	Current assets	9	Current liabilities	83
Total current derivative activity		22		187
Commodity contracts:				
Electricity	Noncurrent assets	4	Noncurrent liabilities	30
Natural gas	Noncurrent assets	1	Noncurrent liabilities	103
Total long-term derivative activity		5*		133
Total derivatives not designated as hedging instruments		$ 27		$ 320
Total derivatives		$ 27		$ 320

* The noncurrent asset derivative balance of $5 million is included in Other noncurrent assets on the condensed consolidated balance sheet.

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Changes in the fair value of derivative instruments prior to settlement that do not qualify for the normal purchases and normal sales exception, or for hedge accounting, are recorded on a net basis in Purchased power and fuel expense in the statement of income. Net realized and unrealized gains (losses) on derivative transactions were recognized in the statement of income for the periods presented (in millions):

Derivatives not designated as hedging instruments	Location of net gain (loss) recognized in net income on derivative activities	Net gain (loss) recognized in net income on derivative activities *	
		Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
Commodity contracts:			
Electricity	Purchased power and fuel expense	$ 17	$ (52)
Natural Gas	Purchased power and fuel expense	14	(69)
Oil	Purchased power and fuel expense	-	(1)

* Unrealized gains and losses and certain realized gains and losses are offset by regulatory accounting. Of the net gain (loss) recognized in net income for the three and nine month periods ended September 30, 2009, $31 and ($110), respectively, has been offset.

Assuming no changes in market prices and interest rates, the following table indicates the year in which the net unrealized loss recorded as of September 30, 2009 related to PGE s derivative activities would become realized as a result of the settlement of the underlying derivative instrument (in millions):

	2009 *	2010	2011	2012	2013	Total
Commodity contracts:						
Electricity	$ 25	$ 78	$ 11	$ 3	$ -	$ 117
Natural gas	35	57	31	37	16	176
Net unrealized loss	$ 60	$ 135	$ 42	$ 40	$ 16	$ 293

* Represents the period from October 1, 2009 to December 31, 2009.

The Company s secured and unsecured debt is currently rated at investment grade by Moody s Investors Service (Moody s) and Standard and Poor s (S&P). Should Moody s and/or S&P reduce their rating on the Company s unsecured debt to below investment grade, PGE could be subject to requests by certain wholesale counterparties to post additional performance assurance collateral, in the form of cash or letters of credit, based on total portfolio positions with each counterparty.

The aggregate fair value of all derivative instruments with credit-risk-related contingent features that were in a liability position as of September 30, 2009 was $250 million. As of September 30, 2009, the Company had $170 million in collateral posted associated with such liability positions, which consisted entirely of letters of credit. If the credit-risk-related contingent features underlying these agreements were triggered by a dual agency downgrade to below investment grade at September 30, 2009, the additional cash collateral requirement would have been $230 million.

At September 30, 2009, contracts with four different counterparties represent approximately 89% and 41% of PGE s Assets and Liabilities from price risk management activities, respectively. Two different counterparties represent 76% and 13% of Assets from price risk management activities, with two different counterparties representing 25% and 16% of Liabilities from price risk management activities. No other counterparty represents more than 10% of the Assets and Liabilities from price risk management activities.

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See Note 3 for additional information concerning the determination of fair value for the Company s Assets and Liabilities from price risk management activities.

NOTE 5: EARNINGS PER SHARE

Components of basic and diluted earnings per share were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	**2008**	**2009**	**2008**
Numerator (in millions):				
Net income attributable to Portland General Electric Company common shareholders	$ 32	$ -	$ 87	$ 67
Denominator (in thousands):				
Weighted-average common shares outstanding - basic	75,182	62,554	71,980	62,539
Dilutive effect of unvested restricted stock units and employee stock purchase plan shares	41	53	77	50
Weighted-average common shares outstanding - diluted	75,223	62,607	72,057	62,589