



Portland General Electric Company
121 SW Salmon Street • Portland, Oregon 97204
PortlandGeneral.com

July 24, 2014

E-mail / US Mail

puc.filingcenter@state.or.us

Public Utility Commission of Oregon
3930 Fairview Industrial Dr. SE
P.O. Box 1088
Salem, OR 97308-1088

Attention: **Commission Filing Center**

Re: **UP-____ Application for License of Property**

Enclosed are the original signed Application and five copies requesting a Commission order affirming that PGE's amendment of a license with a third party does not fall within the purview of ORS 757.480. In the alternative, if the Commission does not agree with PGE's interpretation of ORS 757.480, PGE respectfully requests a Commission order approving the license described in PGE's application.

We ask that this Application be placed on the docket for consideration at the Commission's September 16, 2014 public meeting or as soon as possible thereafter.

If you have any questions or require further information, please call Aaron Rodehorst at (503) 464-8804. Please direct all formal correspondence, questions, or requests to the following e-mail address: pge.opuc.filings@pgn.com.

Sincerely,

A handwritten signature in blue ink that reads "Patrick G. Hager". The signature is written in a cursive style.

Patrick G. Hager
Manager, Regulatory Affairs

PGH/kr

Encls.

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UP-_____

In the Matter of the Application of)
PORTLAND GENERAL ELECTRIC COMPANY) APPLICATION
in Regard to the License of its Property.)

Portland General Electric Company ("PGE") has entered into an amendment of a license with a third party which PGE does not believe falls within the purview of ORS 757.480. PGE thereby respectfully requests that the Oregon Public Utility Commission ("Commission") affirm PGE's interpretation of ORS 757.480 based on the facts described below. In the alternative, if the Commission does not agree with PGE's interpretation of ORS 757.480, then PGE respectfully asks the Commission to treat the filing as an application pursuant to ORS 757.480 and OAR 860-027-0025 for Commission approval of the license described herein.

I. Background

PGE currently leases land located near Clatskanie, OR. A rail spur on this land serves PGE's Beaver power plant ("PGE Spur"). Cascade Kelly Holdings LLC, an Oregon limited liability company doing business as Columbia Pacific Bio-Refinery ("CPBR") operates and maintains a rail spur in connection with its ethanol facility and crude oil shipment operations adjacent to PGE's Port Westward power plant ("Cascade Spur"). Effective February 13, 2013, PGE and CPBR entered into an agreement to grant reciprocal, mutually beneficial, licenses to each other for the temporary, non-exclusive use of portions of their respective property rights (i.e., the PGE Spur and Cascade Spur) at the Port Westward Industrial Park.¹ CPBR obtained the

¹ The license is effective through November 30, 2032 so long as neither party takes the necessary actions to terminate it. At the end of the license term, the license, as amended, will be automatically extended for additional

non-exclusive right to use the PGE Spur for the storage of empty rail cars for up to thirty days in any given instance. PGE obtained the non-exclusive right to use the Cascade Spur for the periodic delivery of equipment to its Port Westward power plant.² This right to use the Cascade Spur increased PGE's options for transporting heavy equipment to the Port Westward power plant.

PGE and CPBR agreed to an amendment of the license on June 16, 2014 ("Amended License Agreement"). While the Amended License Agreement retains CPBR's and PGE's non-exclusive rights to use granted in the original license agreement, it also gives CPBR the option but not the obligation to improve and extend the PGE Spur subject to PGE's approval and certain conditions. For CPBR's use of the PGE Spur under the Amended License Agreement, PGE and CPBR agreed to a license fee of one hundred twenty-five thousand dollars (\$125,000) per annum. The license fee is an arms-length negotiated amount. Because of this fee provision, PGE is filing this application.

As provided in subsection (1)(a) of ORS 757.480, a utility doing business in Oregon shall not dispose of certain operative utility property without first obtaining Commission approval. Subsection (1)(a) has a three-part test. First, the transaction must be to "sell, lease, assign, or otherwise dispose of" property, second the transaction has to be in connection with "the whole of the property... necessary or useful in the performance of the utilities duties to the public", and third, the property must have a value in excess of one hundred thousand dollars (\$100,000). PGE did not seek approval of the original license agreement, because the original license agreement did not meet the three part test stated above. Rather, the license provided a non-exclusive right to use to CPBR. This means that PGE retains the right to continue to also

terms of one year unless either party sends written notices to the other party on or prior to October 1st of the applicable year of the license term.

² PGE's Port Westward power plant is located adjacent to the CPBR facility.

use the rail spur for its own business needs.³ The Amended License Agreement does not meet parts one and two of the three part test. However, CPBR will pay PGE one hundred and twenty-five thousand dollars (\$125,000) per year under the Amended License Agreement. Therefore, out of an abundance of caution, PGE now seeks affirmation or approval from the Commission for the Amended License Agreement as discussed herein.

For accounting purposes (See Exhibit J), PGE will record the license revenue of one hundred and twenty-five thousand dollars (\$125,000) per year in FERC Account 456 (Other Electric Revenues).

II. License Assets

PGE's property subject to the Amended License Agreement is the PGE Spur, shown as the yellow line labeled "PGE Sub Spur" on Exhibit I-3. The PGE Spur is a part of an 852 acre site located south and west of the Columbia River at its western confluence with the Bradbury Slough. PGE leases this property from the Port of St. Helens. Within these 852 acres, PGE uses approximately 150 acres for its Beaver and Port Westward power plants, including the PGE Spur, roadways, offices and linears (e.g., transmission lines, barge landing area, etc.).

III. Required Information Under OAR 860-027-0025(1)

Pursuant to the requirements of OAR 860-027-0025, PGE represents as follows:

- (a) *The exact name and address of the utility's principal business office:* Portland General Electric Company, 121 SW Salmon Street, Portland, Oregon 97204.
- (b) *The state in which incorporated, the date of incorporation, and the other states in which authorized to transact utility operations:* PGE is a corporation organized and existing under and by the laws of the State of Oregon. The date of its incorporation is July 25, 1930. PGE is

³ Under Section 4 of the original license agreement, "CPBR and PGE shall each plan and limit their use of one another's property in such manner as to cause no unreasonable interference with their respective business operations...".

authorized to transact utility operations in the state of Oregon. PGE is also authorized to do business in the states of California, Idaho, Montana, Utah, Washington and is also registered as an extra-provincial corporation in Alberta, Canada.

(c) *Name and address of the person on behalf of applicant authorized to receive notices and communications in respect to the applications:*

PGE-OPUC Filings
Rates & Regulatory Affairs
Portland General Electric Company
121 SW Salmon Street, 1WTC-0702
Portland, OR 97204
(503) 464-7857 (telephone)
(503) 464-7651 (fax)
pge.opuc.filings@pgn.com

Loretta Mabinton
Associate General Counsel
Portland General Electric Company
121 SW Salmon Street, 1WTC-1301
Portland, OR 97204
(503) 464-7822 (telephone)
(503) 464-2200 (fax)
loretta.mabinton@pgn.com

In addition, the names and addresses to receive notices and communications via the e-mail service list are:

Aaron Rodehorst, Regulatory Affairs
E-Mail: Aaron.Rodehorst@pgn.com

(d) *The names, titles, and addresses of the principal officers:*

As of quarter end March 31, 2014, the following are the principal officers of PGE, with primary business offices located at 121 SW Salmon Street, Portland, Oregon 97204:

<u>Name</u>	<u>Title</u>
James J. Piro	President and Chief Executive Officer
James F. Lobdell	Senior Vice President, Finance, Chief Financial Officer, and Treasurer
William O. Nicholson	Senior Vice President, Customer Service, Transmission and Distribution
Maria Pope	Senior Vice President, Power Supply and Operations, and Resource Strategy
Arleen N. Barnett	Vice President, Human Resources, Diversity &

	Inclusion, and Administration
O. Bruce Carpenter	Vice President, Distribution
Carol A. Dillin	Vice President, Customer Strategies and Business Development
J. Jeffrey Dudley	Vice President, General Counsel, Corporate Compliance Officer, and Assistant Secretary
Campbell A. Henderson	Vice President, Information Technology, and Chief Information Officer
Stephen M. Quennoz	Vice President, Nuclear and Power Supply/Generation
W. David Robertson	Vice President, Public Policy
Kristin A. Stathis	Vice President, Customer Service Operations
Marc S. Bocci	Corporate Secretary
Kirk M. Stevens	Controller and Assistant Treasurer
Brett C. Greene	Assistant Treasurer
Nora E. Arkonovich	Assistant Secretary
Cheryl A. Chevis	Assistant Secretary
Karen J. Lewis	Assistant Secretary

(e) *A description of the general character of the business done and to be done, and a designation of the territories served, by counties and states:* PGE is engaged, and intends to remain engaged, in the generation, purchase, transmission, distribution, and sale of electric energy for public use in Clackamas, Columbia, Hood River, Jefferson, Marion, Morrow, Multnomah, Polk, Washington, and Yamhill counties, Oregon.

(f) *A statement, as of the date of the balance sheet submitted with the application, showing for each class and series of capital stock: brief description; the amount authorized (face value and number of shares); the amount outstanding (exclusive of any amount held in the treasury);*

amount held as reacquired securities; amount pledged; amount owned by affiliated interests; and amount held in any fund: The following represents PGE's stock as of quarter end March 31, 2014, the date of PGE's most recent Securities and Exchange Commission ("SEC") Form 10-Q:

	<u>Outstanding Shares</u>	<u>Amount (\$000s)</u>
Common Stock: *		
No Par Value	78,182,056	\$911,894
(160,000,000 shares authorized)		
* Company Directors hold 166,977 shares.		

None of the outstanding shares of common stock referenced above are held as reacquired securities or have been pledged by PGE. Vanguard Group, Inc. held 6.84% of the outstanding PGE common stock reported as of February 11, 2014, in an SEC Form 13-G filing. Massachusetts Financial Services Company (MFS) held 6.0% of the outstanding PGE common stock reported as of February 10, 2014, in an SEC Form 13-G filing. BlackRock, Inc. held 5.7% of the outstanding PGE common stock reported as of January 30, 2014, in an SEC Form 13-G filing. PGE periodically reports major shareholder activity to OPUC Staff pursuant to OAR 860 027-0175 (AR-544). The most recent such report was filed by PGE on February 19, 2014. PGE does not have enough information to determine if any of these funds qualify as affiliates.

(g) *A statement, as of the date of the balance sheet submitted with the application, showing for each class and series of long-term debt and notes: brief description (amount, interest rate and maturity); amount authorized; amount outstanding (exclusive of any amount held in the treasury); amount held as reacquired securities; amount pledged; amount held by affiliated interests; and amount in sinking and other funds:* The long-term debt as of quarter end March 31, 2014 is as follows:

Description	Authorized (\$000s)	Outstanding (\$000s)
First Mortgage Bonds:		
6.26% series due 5-1-2031	100,000	100,000
6.31% series due 5-1-2036	175,000	175,000
4.74% series due 2043	75,000	75,000
MTN series due 8-11-2021 9.31%	20,000	20,000
6.75% series VI due 8-1-2023	50,000	50,000
6.875% series VI due 8-1-2033	50,000	50,000
5.80% series due 6-1-2039	170,000	170,000
5.81% series due 10-1-2037	130,000	130,000
5.80% series due 3-1-2018	75,000	75,000
6.80% series due 1-15-2016	67,000	67,000
3.46% series due 1-15-2015	70,000	70,000
3.81% series due 6-15-17	58,000	58,000
4.47% series due 6-15-44	150,000	150,000
4.74% series due 2042	105,000	105,000
4.84% series due 2048	50,000	50,000
6.10% series due 4-15-19	300,000	300,000
5.43% series due 5-03-40	<u>150,000</u>	<u>150,000</u>
Total First Mortgage Bonds	<u>1,795,000</u>	<u>1,795,000</u>
Pollution Control Bonds:		
City of Forsyth, MT		
5.45% series B 5-1-2033 ⁽¹⁾	21,000	21,000
Series A 5-1-2033, remarketed 3-11-10 at 5%	97,800	97,800
Port of Morrow, OR		
Series A 5-1-2033, remarketed 3-11-10 at 5%	23,600	23,600
Revenue Bonds Series 1996 ⁽²⁾	5,800	5,800
⁽¹⁾ This debt instrument, purchased by PGE on May 1, 2009, is currently held for possible remarketing	(21,000)	(21,000)
⁽²⁾ This debt instrument, purchased by PGE in 2008, is currently held for possible remarketing	<u>(5,800)</u>	<u>(5,800)</u>
Total Pollution Control Bonds outstanding	<u>121,400</u>	<u>121,400</u>
Other Long Term Debt:		
Long-Term Contracts	96	96
Unamortized Debt Discount and Other	<u>(756)</u>	<u>(756)</u>
Total Other Long-Term Debt	<u>(660)</u>	<u>(660)</u>
Total Long-Term Debt	<u>1,915,740</u>	<u>1,915,740</u>
Total Classified as Short-Term	-	-
Net Long Term Debt	<u>1,915,740</u>	<u>1,915,740</u>

None of the long-term debt is pledged or held as reacquired securities, by affiliated corporations, or in any fund, except as noted above.

(h) *Whether the application is for disposition of facilities by sale, lease, or otherwise, a merger or consolidation of facilities, or for mortgaging or encumbering its property, or for the acquisition of stock, bonds, or property of another utility, also a description of the consideration, if any, and the method of arriving at the amount thereof:* This application is in connection with PGE's license of the PGE Spur to Cascade Kelly Holdings LLC, an Oregon limited liability company doing business as Columbia Pacific Bio-Refinery ("CPBR"). The Amended License Agreement obligates CPBR to pay to PGE a license fee of one hundred twenty-five thousand dollars (\$125,000) per annum for the license. The license fee is an arms-length negotiated amount for CPBR's use of the PGE Spur.

(i) *A statement and general description of facilities to be disposed of, consolidated, merged, or acquired from another utility, giving a description of their present use and of their proposed use after disposition, consolidation, merger, or acquisition. State whether the proposed disposition of facilities or plan for consolidation, merger, or acquisition includes all the operating facilities of the parties to the transaction:* The property consists of a rail spur serving PGE's Beaver power plant. The rail spur, shown as the yellow line labeled "PGE Sub Spur" on Exhibit I-3, is a part of an 852 acre site located south and west of the Columbia River at its western confluence with the Bradbury Slough. Within these 852 acres, PGE uses approximately 150 acres for its Beaver and Port Westward power plants, including the rail spur, roadways, offices and linears (e.g., transmission lines, barge landing area, etc.). The license grants a non-exclusive right to use to CPBR. This means that PGE retains the right to continue to also use the rail spur for its own business needs. Under Section 4 of the Amended License Agreement,

CPBR's use of the PGE Spur is "...subject and subordinate to the prior and continuing right and obligation of PGE, in good faith, to use, maintain, operate and upgrade any or all of PGE's current and future property interests...".

(j) *A statement by primary account of the cost of the facilities and applicable depreciation reserve involved in the sale, lease, or other disposition, merger or consolidation, or acquisition of property of another utility. If original cost is not known, an estimate of original cost based, to the extent possible, upon records or data of the applicant or its predecessors must be furnished, a full explanation of the manner in which such estimate has been made, and a statement indicating where all existing data and records may be found:* The book value of the subject property or transaction was determined using PGE's accounting records. A statement by primary account of the cost of the property is included in Exhibit L.

(k) *A statement as to whether or not any application with respect to the transaction or any part thereof, is required to be filed with any federal or other state regulatory body:* No application with respect to the transaction is required to be filed with any federal or other state regulatory body.

(l) *The facts relied upon by applicants to show that the proposed sale, lease, assignment, or consolidation of facilities, mortgage or encumbrance of property, or acquisition of stock, bonds, or property of another utility will be consistent with the public interest:* PGE relies upon this Application and the attached documentation as support for the facts as required by OAR 860-027-0025(1)(l).

(m) *The reasons, in detail, relied upon by each applicant, or party to the application, for entering into the proposed sale, lease, assignment, merger, or consolidation of facilities, mortgage or encumbrance of property, acquisition of stock, bonds, or property of another utility,*

and the benefits, if any, to be derived by the customers of the applicants and the public: See Sections I and II and paragraphs (h) and (l) above.

(n) *The amount of stock, bonds, or other securities, now owned, held or controlled by applicant, of the utility from which stock or bonds are proposed to be acquired: Not applicable.*

(o) *A brief statement of franchises held, showing date of expiration if not perpetual, or, in case of transfer/sale, that transferee has the necessary franchises: Not applicable.*

IV. Required Exhibits Under OAR 860-027-0025(2)

The following exhibits are submitted and by reference made a part of this application:

EXHIBIT A. *A copy of the charter or articles of incorporation with amendments to date:*

Second Amended and Restated Articles of Incorporation, effective on May 13, 2009 and previously filed in Docket UF-4264 and by reference made a part of this application.

EXHIBIT B. *A copy of the bylaws with amendments to date: Ninth Amended and Restated Bylaws dated November 30, 2011 and previously filed in Docket UP-278 and by reference made a part of this application.*

EXHIBIT C. *Copies of all resolutions of directors authorizing the proposed disposition, merger, or consolidation of facilities, mortgage or encumbrance of property, acquisition of stock, bonds, or property of another utility, in respect to which the application is made and, if approval of stockholders has been obtained, copies of the resolutions of the stockholders should also be furnished: Not applicable (no resolutions were required for the Amended License Agreement).*

EXHIBIT D. *Copies of all mortgages, trust, deeds, or indentures, securing any obligation of each party to the transaction: None.*

EXHIBIT E. *Balance sheets showing booked amounts, adjustments to record the proposed transaction and pro forma, with supporting fixed capital or plant schedules in conformity with the forms in the annual report, which applicant(s) is required, or will be required, to file with the Commission:* Balance sheet showing booked amounts, adjustments to record the proposed transactions and pro forma Balance sheets as of quarter end March 31, 2014 are attached [electronic format].

EXHIBIT F. *A statement of all known contingent liabilities, except minor items such as damage claims and similar items involving relatively small amounts, as of March 31, 2014:* Attached. [electronic format]

EXHIBIT G. *Comparative income statements showing recorded results of operations, adjustments to record the proposed transaction and pro forma, in conformity with the form in the annual report which applicant(s) is required, or will be required, to file with the Commission, as of March 31, 2014:* PGE's income statement showing recorded results of operations, adjustment to record the proposed transactions and pro forma income statement for the three months ended March 31, 2014 are attached. [electronic format]

EXHIBIT H. *An analysis of surplus for the period covered by the income statements referred to in Exhibit G, as of March 31, 2014:* PGE's statement of retained earnings and pro forma statement of retained earnings for the three months ended March 31, 2014 are attached. [electronic format]

EXHIBIT I. *A copy of each contract in respect to the sale, lease or other proposed disposition, merger or consolidation of facilities, acquisition of stock, bonds, or property of another utility, as the case may be, with copies of all other written instruments entered into or proposed to be entered into by the parties to the transaction pertaining thereto:* Attached are the

original license agreement as Exhibit I-1 and the amended license agreement as I-2. [electronic format]

EXHIBIT J. *A copy of each proposed journal entry to be used to record the transaction upon each applicant's books:* Attached. [electronic format]

EXHIBIT K. *A copy of each supporting schedule showing the benefits, if any, which each applicant relies upon to support the facts as required by subsection (1)(l) of this rule and the reasons as required by subsection (1)(m) of this rule:* PGE relies upon this Application and the attached documentation as support for the facts as required by OAR 860-027-0025(1)(l) and (1)(m) .

EXHIBIT L. *Statement by primary account of the Cost of the Property.* Attached. [electronic format]

V. Conclusion

PGE respectfully requests a Commission order affirming that the license and license amendment do not fall within the purview of ORS 757.480. In the alternative, PGE respectfully requests a Commission order finding the license and license amendment will not harm PGE customers and is consistent with the public interest.

Dated this 24th day of July, 2014.

Respectfully Submitted,



Patrick G. Hager, Manager, Regulatory Affairs
On Behalf of Portland General Electric Company
121 SW Salmon Street, 1WTC-0702
Portland, Oregon 97204
Phone: (503) 464-7580
E-Mail: Patrick.Hager@pgn.com
Facsimile: (503) 464-7651

y:\ratecase\opuc\dockets\property\up-xxx_Rail License to Columbia Pacific Bio-Refinery\FinalUP___ Application_07.24.14.doc

Exhibit "F"
Statement of Contingent Liabilities
As of March 31, 2014

PGE is subject to legal, regulatory, and environmental proceedings, investigations, and claims that arise from time to time in the ordinary course of its business. Contingencies are evaluated using the best information available at the time the consolidated financial statements are prepared. Legal costs incurred in connection with loss contingencies are expensed as incurred. The Company may seek regulatory recovery of certain costs that are incurred in connection with such matters, although there can be no assurance that such recovery would be granted.

Loss contingencies are accrued, and disclosed if material, when it is probable that an asset has been impaired or a liability incurred as of the financial statement date and the amount of the loss can be reasonably estimated. If a reasonable estimate of probable loss cannot be determined, a range of loss may be established, in which case the minimum amount in the range is accrued, unless some other amount within the range appears to be a better estimate.

A loss contingency will also be disclosed when it is reasonably possible that an asset has been impaired or a liability incurred if the estimate or range of potential loss is material. If a probable or reasonably possible loss cannot be reasonably estimated, then the Company: i) discloses an estimate of such loss or the range of such loss, if the Company is able to determine such an estimate; or ii) discloses that an estimate cannot be made.

If an asset has been impaired or a liability incurred after the financial statement date, but prior to the issuance of the financial statements, the loss contingency is disclosed, if material, and the amount of any estimated loss is recorded in the subsequent reporting period.

The Company evaluates, on a quarterly basis, developments in such matters that could affect the amount of any accrual, as well as the likelihood of developments that would make a loss contingency both probable and reasonably estimable. The assessment as to whether a loss is probable or reasonably possible, and as to whether such loss or a range of such loss is estimable, often involves a series of complex judgments about future events. Management is often unable to estimate a reasonably possible loss, or a range of loss, particularly in cases in which: i) the damages sought are indeterminate or the basis for the damages claimed is not clear; ii) the proceedings are in the early stages; iii) discovery is not complete; iv) the matters involve novel or unsettled legal theories; v) there are significant facts in dispute; vi) there are a large number of parties (including where it is uncertain how liability, if any, will be shared among multiple defendants); or vii) there is a wide range of potential outcomes. In such cases, there is considerable uncertainty regarding the timing or ultimate resolution, including any possible loss, fine, penalty, or business impact.

Trojan Investment Recovery

Regulatory Proceedings. In 1993, PGE closed the Trojan nuclear power plant (Trojan) and sought full recovery of, and a rate of return on, its Trojan costs in a general rate case filing with the OPUC. In 1995, the OPUC issued a general rate order that granted the Company recovery of, and a rate of return on, 87% of its remaining investment in Trojan.

Numerous challenges and appeals were subsequently filed in various state courts on the issue of the OPUC's authority under Oregon law to grant recovery of, and a return on, the Trojan investment. In 1998, the Oregon Court of Appeals upheld the OPUC's order authorizing PGE's recovery of the Trojan investment, but held that the OPUC did not have the authority to allow the Company to recover a return on the Trojan investment and remanded the case to the OPUC for reconsideration.

In 2000, PGE entered into agreements to settle the litigation related to recovery of, and return on, its investment in Trojan. The settlement, which was approved by the OPUC, allowed PGE to remove from its balance sheet the remaining investment in Trojan as of September 30, 2000, along with several largely offsetting regulatory liabilities. After offsetting the investment in Trojan with these liabilities, the remaining Trojan regulatory asset balance of approximately \$5 million (after tax) was expensed. As a result of the settlement, PGE's investment in Trojan was no longer included in prices charged to customers, either through a return of or a return on that investment. The Utility Reform Project (URP) did not participate in the settlement and filed a complaint with the OPUC challenging the settlement agreements. In 2002, the OPUC issued an order (2002 Order) denying all of the URP's challenges. In 2007, following several appeals by various parties, the Oregon Court of Appeals issued an opinion that remanded the 2002 Order to the OPUC for reconsideration.

The OPUC then issued an order in 2008 (2008 Order) that required PGE to provide refunds, including interest from September 30, 2000, to customers who received service from the Company during the period from October 1, 2000 to September 30, 2001. The Company recorded a charge of \$33.1 million in 2008 related to the refund and accrued additional interest expense on the liability until refunds to customers were completed in the first quarter of 2010. The URP and the plaintiffs in the class actions described below separately appealed the 2008 Order to the Oregon Court of Appeals. On February 6, 2013, the Oregon Court of Appeals issued an opinion that upheld the 2008 Order. On May 31, 2013, the Court of Appeals denied the appellants' request for reconsideration of the decision. On October 18, 2013, the Oregon Supreme Court granted plaintiffs' petition seeking review of the February 6, 2013 Oregon Court of Appeals decision. Oral argument occurred in March 2014 and the parties now await a Court decision.

Class Actions. In two separate legal proceedings, lawsuits were filed in Marion County Circuit Court against PGE in 2003 on behalf of two classes of electric service customers. The class action lawsuits seek damages totaling \$260 million, plus interest, as a result of the Company's inclusion, in prices charged to customers, of a return on its investment in Trojan.

In 2006, the Oregon Supreme Court issued a ruling ordering the abatement of the class action proceedings until the OPUC responded to the 2002 Order (described above). The Oregon Supreme Court concluded that the OPUC has primary jurisdiction to determine what, if any, remedy can be offered to PGE customers, through price reductions or refunds, for any amount of return on the Trojan investment that the Company collected in prices.

The Oregon Supreme Court further stated that if the OPUC determined that it can provide a remedy to PGE's customers, then the class action proceedings may become moot in whole or in part. The Oregon Supreme Court added that, if the OPUC determined that it cannot provide a remedy, the court system may have a role to play. The Oregon Supreme Court also ruled that the plaintiffs retain the right to return to the Marion County Circuit Court for disposition of whatever issues remain unresolved from the remanded OPUC proceedings. The Marion County Circuit Court subsequently abated the class actions in response to the ruling of the Oregon Supreme Court.

As noted above, on February 6, 2013, the Oregon Court of Appeals upheld the 2008 Order. Because the Oregon Supreme Court has granted the plaintiffs' petition seeking review of that decision, and the class actions described above remain pending, management believes that it is reasonably possible that the regulatory proceedings and class actions could result in a loss to the Company in excess of the amounts previously recorded and discussed above. Because these matters involve unsettled legal theories and have a broad range of potential outcomes, sufficient information is currently not available to determine PGE's potential liability, if any, or to estimate a range of potential loss.

Pacific Northwest Refund Proceeding

In 2001, the FERC called for a hearing to explore whether there may have been unjust and unreasonable charges for spot market sales of electricity in the Pacific Northwest from December 25, 2000 through June 20, 2001 (Pacific Northwest Refund proceeding). During that period, PGE both sold and purchased electricity in the Pacific Northwest. In 2003, the FERC issued an order terminating the proceeding and denying the claims for refunds. Upon appeal of the decision to the U.S. Ninth Circuit Court of Appeals (Ninth Circuit) the Court remanded the case to the FERC to, among other things, address market manipulation evidence in detail and account for the evidence in any future orders regarding the award or denial of refunds in the proceedings.

In October 2011, the FERC issued an Order on Remand, establishing an evidentiary hearing to determine whether any seller had engaged in unlawful market activity in the Pacific Northwest spot markets during the December 25, 2000 through June 20, 2001 period by violating specific contracts or tariffs, and, if so, whether a direct connection existed between the alleged unlawful conduct and the rate charged under the applicable contract. The FERC held that the *Mobile-Sierra* public interest standard governs challenges to the bilateral contracts at issue in this proceeding, and the strong presumption under *Mobile-Sierra* that the rates charged under each contract are just and reasonable would have to be specifically overcome before a refund could be ordered. The FERC directed the presiding judge, if necessary, to determine a refund methodology and to calculate refunds, but held that a market-wide remedy was not appropriate, given the bilateral contract nature of the Pacific Northwest spot markets.

In December 2012, the FERC issued an order clarifying that the *Mobile-Sierra* presumption could be overcome either by: i) a showing that a respondent had violated a contract or tariff and that the violation had a direct connection to the rate charged under the applicable contract; or ii) a showing that the contract rate at issue imposed an excessive burden or seriously harmed the public interest.

On April 5, 2013, the FERC granted rehearing of its Order on Remand on the issue of the appropriate refund period, holding that parties could pursue refunds for transactions between January 1, 2000 and December 24, 2000 under Section 309 of the Federal Power Act by showing violations of a filed tariff or rate schedule or of a statutory requirement. Refund claimants have filed petitions for appeal of the Order on Remand and the Order on Rehearing with the Ninth Circuit.

In its October 2011 Order on Remand, the FERC ordered settlement discussions to be convened before a FERC settlement judge. Pursuant to the settlement proceedings, the Company received notice of two claims and reached agreements to settle both claims for an immaterial amount. The FERC approved both settlements during 2012.

Additionally, the settlement between PGE and certain other parties in the California refund case in Docket No. EL00-95, et seq., approved by the FERC in May 2007, resolved all claims between PGE and the California parties named in the settlement, including the California Energy Resource Scheduling division of the California Department of Water Resources (CERS), as to transactions in the Pacific Northwest during the settlement period, January 1, 2000 through June 20, 2001, but did not settle potential claims from other market participants relating to transactions in the Pacific Northwest.

The above-referenced settlements resulted in a release for the Company as a named respondent in the first phase of the remand proceedings, which are limited to initial and direct claims for refunds, but there remains a possibility that additional claims related to this matter could be asserted against the Company in a subsequent phase of the proceeding if refunds are ordered against some or all of the current respondents.

During the first phase of the remand hearing, now completed, two sets of refund proponents, the City of Seattle, Washington (Seattle) and various California parties on behalf of CERS, presented cases alleging that multiple respondents had engaged in unlawful activities and caused severe financial harm that justified the imposition of refunds. After conclusion of the hearing, the presiding Administrative Law Judge issued an Initial Decision on March 28, 2014 finding: i) that Seattle did not carry its *Mobile-Sierra* burden with respect to its refund claims against any of its respondent sellers; and ii) that the California representatives of CERS did not carry their *Mobile-Sierra* burden with respect to one of CERS' respondents, but did find evidence of unlawful activity in the implementation of multiple transactions and bad faith in the formation of as many as 119 contracts by the last remaining CERS respondent. The Administrative Law Judge scheduled a second phase of the hearing to commence after a final FERC decision on the Initial Decision. In the second phase, the last respondent will have an opportunity to produce additional evidence as to why its transactions should be considered legitimate and why refunds should not be ordered. If the FERC requires one or more respondents to make refunds, it is possible that such respondent(s) will attempt to recover similar refunds from their suppliers, including the Company.

Management believes that this matter could result in a loss to the Company in future proceedings. However, management cannot predict whether the FERC will order refunds from any of the current respondents, which contracts would be subject to refunds, the basis on which refunds would be ordered, or how such refunds, if

any, would be calculated. Further, management cannot predict whether any current respondents, if ordered to make refunds, will pursue additional refund claims against their suppliers, and, if so, what the basis or amounts of such potential refund claims against the Company would be. Due to these uncertainties, sufficient information is currently not available to determine PGE's liability, if any, or to estimate a range of reasonably possible loss.

EPA Investigation of Portland Harbor

A 1997 investigation by the United States Environmental Protection Agency (EPA) of a segment of the Willamette River known as Portland Harbor revealed significant contamination of river sediments. The EPA subsequently included Portland Harbor on the National Priority List pursuant to the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) as a federal Superfund site and listed 69 Potentially Responsible Parties (PRPs). PGE was included among the PRPs as it has historically owned or operated property near the river. In January 2008, the EPA requested information from various parties, including PGE, concerning additional properties in or near the original segment of the river under investigation as well as several miles beyond. Subsequently, the EPA has listed additional PRPs, which now number over one hundred.

The Portland Harbor site is currently undergoing a remedial investigation (RI) and feasibility study (FS) pursuant to an Administrative Order on Consent (AOC) between the EPA and several PRPs known as the Lower Willamette Group (LWG), which does not include PGE.

In March 2012, the LWG submitted a draft FS to the EPA for review and approval. The draft FS, along with the RI, provide the framework for the EPA to determine a clean-up remedy for Portland Harbor that will be documented in a Record of Decision, which the EPA is expected to issue in 2015 or 2016.

The draft FS evaluates several alternative clean-up approaches. These approaches would take from two to 28 years with costs ranging from \$169 million to \$1.8 billion, depending on the selected remedial action levels and the choice of remedy. The draft FS does not address responsibility for the costs of clean-up, allocate such costs among PRPs, or define precise boundaries for the clean-up. Responsibility for funding and implementing the EPA's selected clean-up will be determined after the issuance of the Record of Decision.

Management believes that it is reasonably possible that this matter could result in a loss to the Company. However, due to the uncertainties discussed above, sufficient information is currently not available to determine PGE's liability for the cost of any required investigation or remediation of the Portland Harbor site or to estimate a range of potential loss.

DEQ Investigation of Downtown Reach

The Oregon Department of Environmental Quality (DEQ) has executed a memorandum of understanding with the EPA to administer and enforce clean-up activities for portions of the Willamette River that are upriver from the Portland Harbor Superfund site (the Downtown Reach). In January 2010, the DEQ issued an

order requiring PGE to perform an investigation of certain portions of the Downtown Reach. PGE completed this investigation in December 2011 and entered into a consent order with the DEQ in July 2012 to conduct a feasibility study of alternatives for remedial action for the portions of the Downtown Reach that were included within the scope of PGE's investigation. The draft feasibility study report, which describes possible remediation alternatives that range in estimated cost from \$3 million to \$8 million, was submitted to the DEQ in late February 2014. Using the Company's best estimate of the probable cost for the remediation effort from the set of alternatives provided in the draft feasibility study report, PGE has a \$3 million reserve for this matter as of March 31, 2014.

Based on the available evidence of previous rate recovery of incurred environmental remediation costs for PGE, as well as for other utilities operating within the same jurisdiction, the Company has concluded that the estimated cost of \$3 million to remediate the Downtown Reach is probable of recovery. As a result, the Company also has a regulatory asset of \$3 million for future recovery in prices as of March 31, 2014. The Company included recovery of the regulatory asset in its 2015 General Rate Case filed with the OPUC in February 2014.

Alleged Violation of Environmental Regulations at Colstrip

On July 30, 2012, PGE received a Notice of Intent to Sue (Notice) for violations of the Clean Air Act (CAA) at Colstrip Steam Electric Station (CSES) from counsel on behalf of the Sierra Club and the Montana Environmental Information Center (MEIC). The Notice was also addressed to the other CSES co-owners, including PPL Montana, LLC, the operator of CSES. PGE has a 20% ownership interest in Units 3 and 4 of CSES. The Notice alleges certain violations of the CAA, including New Source Review, Title V, and opacity requirements, and states that the Sierra Club and MEIC will: i) request a United States District Court to impose injunctive relief and civil penalties; ii) require a beneficial environmental project in the areas affected by the alleged air pollution; and iii) seek reimbursement of Sierra Club's and MEIC's costs of litigation and attorney's fees.

The Sierra Club and MEIC asserted that the CSES owners violated the Title V air quality operating permit during portions of 2008 and 2009 and that the owners have violated the CAA by failing to timely submit a complete air quality operating permit application to the Montana Department of Environmental Quality (MDEQ). The Sierra Club and MEIC also asserted violations of opacity provisions of the CAA.

On March 6, 2013, the Sierra Club and MEIC sued the CSES co-owners, including PGE, for these and additional alleged violations of various environmental related regulations. The plaintiffs are seeking relief that includes an injunction preventing the co-owners from operating CSES except in accordance with the CAA, the Montana State Implementation Plan, and the plant's federally enforceable air quality permits. In addition, plaintiffs are seeking civil penalties against the co-owners including \$32,500 per day for each violation occurring through January 12, 2009, and \$37,500 per day for each violation occurring thereafter. On May 3, 2013, the defendants filed a motion to dismiss 36 of the 39 claims in the suit. On September 27, 2013, the plaintiffs filed an amended complaint that deleted the Title V and opacity claims, added claims associated with two 2011 projects, and expanded the scope of certain claims to encompass approximately 40

additional projects. This matter is scheduled for trial in March 2015. On March 1, 2014, the plaintiffs filed another Notice of Intent to Sue, which would amend the original suit by adding twelve projects to the case.

Management believes that it is reasonably possible that this matter could result in a loss to the Company. However, due to the uncertainties concerning this matter, PGE cannot predict the outcome or determine whether it would have a material impact on the Company.

Challenge to AOC Related to Colstrip Wastewater Facilities

In August 2012, the operator of CSES entered into an AOC with the MDEQ, which established a comprehensive process to investigate and remediate groundwater seepage impacts related to the wastewater facilities at CSES. Within five years, under this AOC, the operator of CSES is required to provide financial assurance to MDEQ for the costs associated with closure of the waste water treatment facilities. This will establish an obligation for asset retirement, but the operator of CSES is unable at this time to estimate these costs, which will require both public and agency review.

In September 2012, Earthjustice filed an affidavit pursuant to Montana's Major Facility Siting Act (MFSA) that sought review of the AOC by Montana's Board of Environmental Review (BER), on behalf of environmental groups Sierra Club, the MEIC, and the National Wildlife Federation. In September 2012, the operator of CSES filed an election with the BER to have this proceeding conducted in Montana state district court as contemplated by the MFSA. In October 2012, Earthjustice, on behalf of Sierra Club, the MEIC and the National Wildlife Federation, filed with the Montana state district court a petition for a writ of mandamus and a complaint for declaratory relief alleging that the AOC fails to require the necessary actions under the MFSA and the Montana Water Quality Act with respect to groundwater seepage from the wastewater facilities at CSES. On May 31, 2013, the district court judge granted the defendants' motion to dismiss the petition for the writ of mandamus.

Management believes that it is reasonably possible that this matter could result in a loss to the Company. However, due to the uncertainties concerning this matter, PGE cannot predict the outcome or determine whether it would have a material impact on the Company.

Oregon Tax Court Ruling

On September 17, 2012, the Oregon Tax Court issued a ruling contrary to an Oregon Department of Revenue (DOR) interpretation and a current Oregon administrative rule, regarding the treatment of wholesale electricity sales. The underlying issue is whether electricity should be treated as tangible or intangible property for state income tax apportionment purposes. The DOR has appealed the ruling of the Oregon Tax Court to the Oregon Supreme Court. It is uncertain whether the ruling will be upheld.

If the ruling is upheld, PGE estimates that its income tax liability could increase by as much as \$7 million due to an increase in the tax rate at which deferred tax liabilities would be recognized in future years. For open tax years per Oregon statute, 2008 through 2012, the Company entered into a closing agreement with

the DOR during the third quarter 2013 under which the DOR agreed to the tax apportionment methodology utilized on the tax returns relating to those years.

Management believes that it is reasonably possible that this matter could result in a loss to the Company. However, due to the uncertainties concerning this matter, PGE cannot predict the outcome of this matter.

Other Matters

PGE is subject to other regulatory, environmental, and legal proceedings, investigations, and claims that arise from time to time in the ordinary course of business, which may result in judgments against the Company. Although management currently believes that resolution of such matters, individually and in the aggregate, will not have a material impact on its financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties, and management's view of these matters may change in the future.

RAIL LICENSE AGREEMENT

THIS RAIL LICENSE AGREEMENT is entered into effective as of the ^{13th} day of February, 2013 (the "Effective Date"), by and between, *PORTLAND GENERAL ELECTRIC COMPANY*, an Oregon Corporation ("PGE") and *CASCADE KELLY HOLDINGS LLC*, an Oregon limited liability company doing business as *Columbia Pacific Bio-Refinery* ("CPBR").

RECITALS

A. CPBR assumed and was assigned certain rights and obligations of Cascade Grain Products LLC ("Cascade") relating to Cascade's Port Westward facility in Columbia County, Oregon pursuant to that certain Asset Purchase Agreement (and all addenda thereto) dated December 23, 2009 between CBPR and Peter C. McKittrick in his capacity as the Trustee for Cascade under the United States Bankruptcy Code Chapter 7, including a Rail Easement;

B. As recited under the First Amendment to Rail Easement; Cascade assigned to the Port certain of its rights under the Rail Easement through a certain Port Lead/West Port Lead Construction, Operation and Maintenance Agreement dated as of August 29, 2007, as amended by a First Amendment to Port Lead/West Port Lead Construction, Operation and Maintenance Agreement dated as of November 28, 2007 (the "Port Lead Agreement"). Pursuant to the Port Lead Agreement, the Port has constructed, and operates, the Port Lead, which track provides rail access to CPBR's facilities and PGE's facilities.

C. Pursuant to the Cascade Grain Spur Construction Agreement dated August 29, 2007, as amended by the First Amendment Cascade Grain Spur Construction Agreement (the "Cascade Spur"), the Port has also constructed the Cascade Spur, which is operated and maintained by CPBR.

D. CPBR, the Port and PGE each understand, acknowledge and agree that this License does not amend or in any way alter the respective rights and obligations as outlined in the Amended and Restated Sublease Agreement dated May 31, 2006 (the "Cascade Grain Sublease"); the Port Lead Agreement, or the Cascade Spur Agreement;

E. CPBR and PGE desire to grant licenses to each other for the temporary use of portions of their respective property interests at Port Westward in accordance with and subject to the terms and condition contained herein.

NOW THEREFORE, for valuable consideration, the current receipt, reasonable equivalence, and sufficiency of which are hereby acknowledged by each of the Parties, the Parties each agree as follows:

1. *CPBR Use of PGE Rail Spur*. CPBR shall have the non-exclusive right to use that portion of PGE's rail spur described and depicted in *Exhibit "A"* attached hereto for the storage of empty (exclusive of heels or off-spec/reject corn) rail cars for up to thirty (30) days in any given instance. CPBR shall bear the entire cost and expense of improving the PGE rail spur to the extent necessary to accommodate CPBR's use of the PGE rail spur prior to any use of the PGE rail spur by CPBR. The nature and extent of the improvements shall be in accordance with the proposal from Sines Construction dated May 29, 2012 and attached hereto as Exhibit A1. CPBR will provide PGE not less than twenty four (24) hours advance notice of CPBR's intent to use the PGE rail spur in each instance by contacting the PGE Beaver Plant control room at 503-728-7251/7252.

2. PGE Use of CPBR Rail Spur.

2.1 PGE shall have the non-exclusive right to use that portion of CPBR's rail spur also known as Cascade Spur, described and depicted in *Exhibit "B"* attached hereto for the periodic delivery of equipment for the PGE Port Westward Generating Plant (PWGP). Such rights shall not include the use of the Port Lead/West Port Lead Spur operated and maintained by the Port. The parties do not anticipate that any improvement of the CPBR rail spur will be necessary to accommodate PGE's use, however, PGE shall bear the entire cost and expense of improving the CPBR rail spur to the extent necessary to accommodate PGE's use of the CPBR rail spur prior to any use of the CPBR rail spur by PGE. The nature and extent of the improvements shall be agreed upon in advance by PGE and CPBR. PGE will provide CPBR not less than seventy-two (72) hours advance notice of PGE's request to use the CPBR rail spur in each instance by contacting Dan Lockett by both phone at 503.728.7003 and email at dan.lockett@cpbr.com. The parties acknowledge and agree that CPBR requires the additional notice and coordination time because the CPBR Rail Spur is an active and integral component of CPBR's operation. That fact notwithstanding, CPBR will use all reasonable efforts to accommodate PGE's need and request for access and work with PGE personnel upon receiving notice hereunder.

2.2 PGE shall have the right to construct a man bridge over that portion of CPBR's rail spur described and depicted in *Exhibit "C"* attached hereto for the general access purposes by PGE personnel, CPBR personnel, and their respective contractors. PGE shall bear the entire cost and expense of constructing the man bridge. The design, construction specifications, and the exact location of the man bridge shall be agreed upon in advance by PGE and CPBR. In the event CPBR's use of the man bridge requires or results in access to secured areas, CPBR will provide PGE not less than twenty four (24) hours advance notice of CPBR's intent to use the man bridge in each instance by contacting the PGE PWGP control room at 503-728-7470/503-369-3570.

3. *Term of License.* The term of this License shall commence on the Effective Date hereof and shall continue through the 30th day of November, 2032, unless sooner terminated as provided herein. The term of this License shall, however, be automatically extended for additional terms of one year each unless a party sends written notice terminating this License to the other party on or prior to October 1st of the applicable year of the term.

4. *Use.* CPBR and PGE shall each plan and limit their use of one another's property in such manner as to cause no unreasonable interference with their respective business operations as well as their respective safety and security concerns. If, at any time, any activity of PGE results in any material effects which in CPBR's reasonable judgment is undesirable or harmful, or which CPBR determines causes unreasonable interference with the constant, continuous and uninterrupted use or operation of CPBR's facility at Port Westward, PGE shall, at the sole expense of PGE, immediately take such action as shall be necessary to remedy or remove such interference. If, at any time, any activity of CPBR results in any material effects which in PGE's reasonable judgment is undesirable or harmful, or PGE determines causes unreasonable interference with the constant, continuous and uninterrupted use or operation of any of PGE's facilities at Port Westward, CPBR shall, at the sole expense of CPBR, immediately take such action as shall be necessary to remedy or remove such interference. Neither CPBR nor PGE shall claim at any time any interest or estate of any kind or extent whatsoever in the property of the other by virtue of the rights granted under this License Agreement or its occupancy or use under this License Agreement. Neither CPBR nor PGE shall suffer or permit their respective property or any portion to be used by the public in any way whatsoever, without prior written consent of the other party in each instance.

5. *Short Line Railroad Status.* PGE and CPBR do not intend that any use of the rail by either party will result in the rail and/or its use falling under the classification of a Short Line Railroad as that term is defined by the Federal Railroad Administration or by the Surface Transportation Board of the U.S. Department of Transportation. Neither party will be contracting with one another in the capacity of a Short Line Railroad. PGE and CPBR will cooperate and take such action as is reasonably necessary to avoid such a result.

76

6. *Labor Disputes.* PGE and CPBR will cooperate and take such action as is reasonably necessary to avoid any labor disputes. Notwithstanding the foregoing, the settlement of strikes, lockouts and other industrial disturbances will be entirely within the discretion of the party involved therein.

7. *Compliance with Laws.* CPBR and PGE each covenant and agree that, in the conduct of any and all of their respective activities and operations hereunder, they will each comply with all present and future laws, rules, and regulations (including without limitation all procedural and substantive environmental requirements) of all federal, state, and local governmental bodies having jurisdiction over their respective activities hereunder, including the Oregon Public Utility Commission. CPBR and PGE shall each be responsible for compliance with each and every term of this License by their respective employees, contractors, agents, invitees, licensees, clients, customers, and guests. CPBR and PGE shall also each be fully responsible for and compliant with, to the extent of their respective actions hereunder, the Environmental provisions of the Rail Easement, dated May 31, 2006, as may be amended, and as if they were the burdened party thereunder.

8. *Risk of Loss/Damages.* CPBR and PGE shall each bear the risk of loss to the extent resulting from their respective activities under this License and shall be responsible to the other as well as to any third parties for any damage caused in connection with their respective activities under this License. CPBR will assume the risk of loss, damage, or injury which may result from CPBR's use of or presence upon the PGE property and PGE will assume the risk of loss, damage, or injury which may result from PGE's use of or presence upon the CPBR property. PGE and CPBR will cooperate in facilitating the prompt repair or replacement of any damaged equipment or facilities.

9. *No Liens.* CPBR and PGE each agree to pay, as and when due, all sums for labor, services, materials, supplies, utilities, furnishings, machinery, or equipment associated with their respective activities under this License as well as any taxes associated therewith. Neither CPBR nor PGE shall suffer or permit any liens to attach to all or any part of any of the other's property or Port property by reason of any tax and/or of any work, labor, services, or materials done for, or supplied to, or claimed to have been done for or supplied to or for the benefit of such party.

10. *Warranties/Guarantees.* Neither CPBR nor PGE makes any warranties, guarantees, or averments of any nature whatsoever concerning the physical condition of their respective property or the impact that their respective business operations may have upon the business activities of the other party.

11. *Insurance.* PGE and CPBR shall each continuously maintain comprehensive broad-form general liability insurance against claims and liability for personal injury, death, or property damage arising out of their respective negligent acts or omissions with respect to their respective activities pursuant to this Agreement with a limit sufficient to cover any claim or liability which may result from their respective obligations pursuant to or in any way associated with this License, but in any event not less than that which is required of CPBR under the Cascade Grain Sublease and the Railway Easement, dated May 31, 2006, as amended. PGE shall have the right to self-insure all or any portion of the foregoing insurance obligation.

12. *Indemnity.*

12.1 CPBR will indemnify, defend and save PGE harmless from and against any and all suits, demands, liabilities, costs and other expenses, including reasonable attorney fees, incurred by PGE in connection with or arising out of (1) CPBR's breach of this License and (2) use of the PGE property by CPBR or its agents; except that CPBR shall have no obligation to so indemnify PGE to the extent that such suits, demands, liabilities, costs and other expenses occur as a result of PGE's negligence, recklessness or intentional misconduct.

12.2 PGE will indemnify, defend and save CPBR harmless from and against any and all suits, demands, liabilities, costs and other expenses, including reasonable attorney fees, incurred by CPBR in connection with or arising out of (1) PGE's breach of this License and (2) use of the CPBR property by PGE or its agents; except that PGE shall have no obligation to so indemnify CPBR to the extent that such suits, demands, liabilities, costs and other expenses occur as a result of CPBR's negligence, recklessness or intentional misconduct.

13. *No Benefit to Third Parties.* PGE and CPBR are the only parties to this License and, as such, are the only parties entitled to enforce its terms. Nothing in this License gives or shall be construed to give or provide any benefit, direct, indirect, or otherwise, to third parties unless and the only to the extent third persons are expressly described as intended to be beneficiaries of its terms. Notwithstanding the foregoing, PGE's PWGP Unit 2 facility EPC Contractor (Columbia River Power Constructors) and its major equipment suppliers are intended third party beneficiaries of this License, provided, however, the PGE shall remain fully responsible and indemnify CPBR for any and all losses, damages or claims to the extent resulting from such third parties' use of the CPBR property pursuant to this License.

14. *Assignment of Interest or Rights.* Neither CPBR nor PGE shall, in any manner, directly or indirectly, by operation of law or otherwise, sublease, assign, transfer, or encumber this License or any of their respective rights granted by this License, without the prior written consent of the other party in each instance, which consent shall not be unreasonably withheld.

15. *Attorney Fees.* If a suit, action, or other proceeding of any nature whatsoever (including without limitation any administrative proceeding and any proceeding under the U.S. Bankruptcy Code) is instituted in connection with any controversy arising out of this License or to interpret or enforce any rights or obligations hereunder, the prevailing party shall be entitled to recover attorney fees and all other fees, costs, and expenses actually incurred in connection therewith, at any hearing, at trial, on any appeal or any petition for review, in addition to all other amounts provided by law.

16. *Notices.* All notices required under this License shall be deemed properly served if hand delivered (including by reputable overnight courier) or sent by certified mail, return receipt requested, to the last address previously furnished by the parties hereto. Until hereafter changed by the parties by notice in writing, notices shall be sent to the parties at the addresses set forth below:

to PGE to:

Manager, Property Services Department
Portland General Electric Company
121 SW Salmon Street, 1WTC0401
Portland, Oregon 97204

and CPBR to:

Cascade Kelly Holdings LLC
Attn: Mark Fleischauer
2311 East First Street
Vancouver, WA 98661

A copy of all insurance communications shall also be directed to: PGE Risk Management, Portland General Electric Company, 121 SW Salmon Street, 3WTC0403, Portland, Oregon 97204.

If mailed, the notice shall be deemed received five (5) days after the date such notice is deposited in a post office of the United States Postal Service, postage prepaid, return receipt requested, certified mail. If delivered by hand, the notice shall be deemed received as of the date of delivery or refusal of delivery.

17. *Termination.* Time is of the essence of this License. If either CPBR or PGE continues in default in the performance of any covenant or agreement herein contained for a period of ten (10) days after written notice from the non-breaching party specifying such default, the non-breaching party may, at its option, forthwith immediately terminate this License by written notice. If, however, the default cannot by its nature reasonably be cured within ten (10) days, the breaching party shall not be in default hereunder if it commences to cure the default during such ten (10) day period and thereafter diligently pursues a cure of the applicable default, which cure shall be completed within a reasonable period of time. In addition to and notwithstanding the foregoing, this License may be terminated by written notice given by either party hereto to the other on any date in such notice stated, not less, however, than sixty (60) days subsequent to the date upon which such notice is given.

18. *Related Agreements.* PGE and CPBR are parties to a number of agreements related to the real property subject to this License, including without limitation, the Cascade Grain Sublease.

Except as may be otherwise provided herein, said agreements and any amendments thereto are not modified by this License and remain in full force and effect.

19. *Limitation of Liability.* In no event shall either party be liable to the other for any lost or prospective profits or any other special, punitive, exemplary, consequential, incidental or indirect losses or damages (in tort, contract or otherwise) under or in respect of this License or for any failure or performance related hereto howsoever caused, whether or not arising from a party's sole, joint or concurrent negligence.

20. *Governing Law.* This License shall be governed and construed according to the laws of the State of Oregon, without regard to its choice of law provisions. Exclusive venue for any action shall be in Multnomah County, Oregon, or Columbia County, Oregon, and CPBR and PGE each hereby consent to the exclusive jurisdiction of the Circuit Courts of the State of Oregon for such counties in any action or proceeding relating to this License.

21. *Warranty of Authority.* The individuals executing this License warrant that they have full authority to execute this License on behalf of the entity for whom they are acting herein.

22. *Survival.* Expiration or termination of this License for any reason shall not affect any of the rights or obligations of the parties hereto which may have accrued, or liabilities, accrued or otherwise, which may have arisen prior thereto. The release and indemnity covenants of the parties, the right of the respective parties to enforce its remedies hereunder, the attorneys' fees provisions hereof, as well as all provisions of this License which contemplate performance after the expiration or termination hereof or the termination of this License, shall survive any such expiration or termination.

23. *Waiver of Breach.* The waiver by PGE or CPBR of the breach of any condition, covenant or agreement herein contained to be kept, observed and performed by the other shall in no way impair the right of PGE or CPBR, respectively, to avail itself of any remedy for any subsequent breach thereof.

24. *Counterparts.* This document may be executed in counterparts, each of which when taken together shall constitute one agreement binding on all parties, notwithstanding that all parties are not signatories to the same counterpart. Each copy of this document so executed shall constitute an original.

25. *Entire Agreement.* The Recitals are true and correct and incorporated herein by this reference. This License represents the entire agreement between the parties and supersedes all prior agreements, written or oral. No amendment to this License shall be effective unless in writing and signed by the parties hereto.

26. *Successors and Assigns.* Subject to the provisions of Section 14 hereof, this License shall be binding upon and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors and assigns.

27. *No Recording.* CPBR shall not record this License.


PGE: PORTLAND GENERAL ELECTRIC COMPANY,
an Oregon corporation.



By: Stephen M. Quennoz
Name: Stephen M. Quennoz
Title: VP Power Supply & Generation

16

CPBR: **CASCADE KELLY HOLDINGS LLC,**
an Oregon limited liability company doing business as
Columbia Pacific Bio-Refinery

By: 
Name: MARK G. FISHER
Title: CO. MANAGER

READ AND APPROVED:

PORT: **PORT OF ST. HELENS,**
a municipal corporation of the State of Oregon

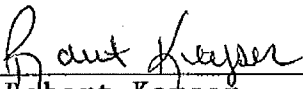
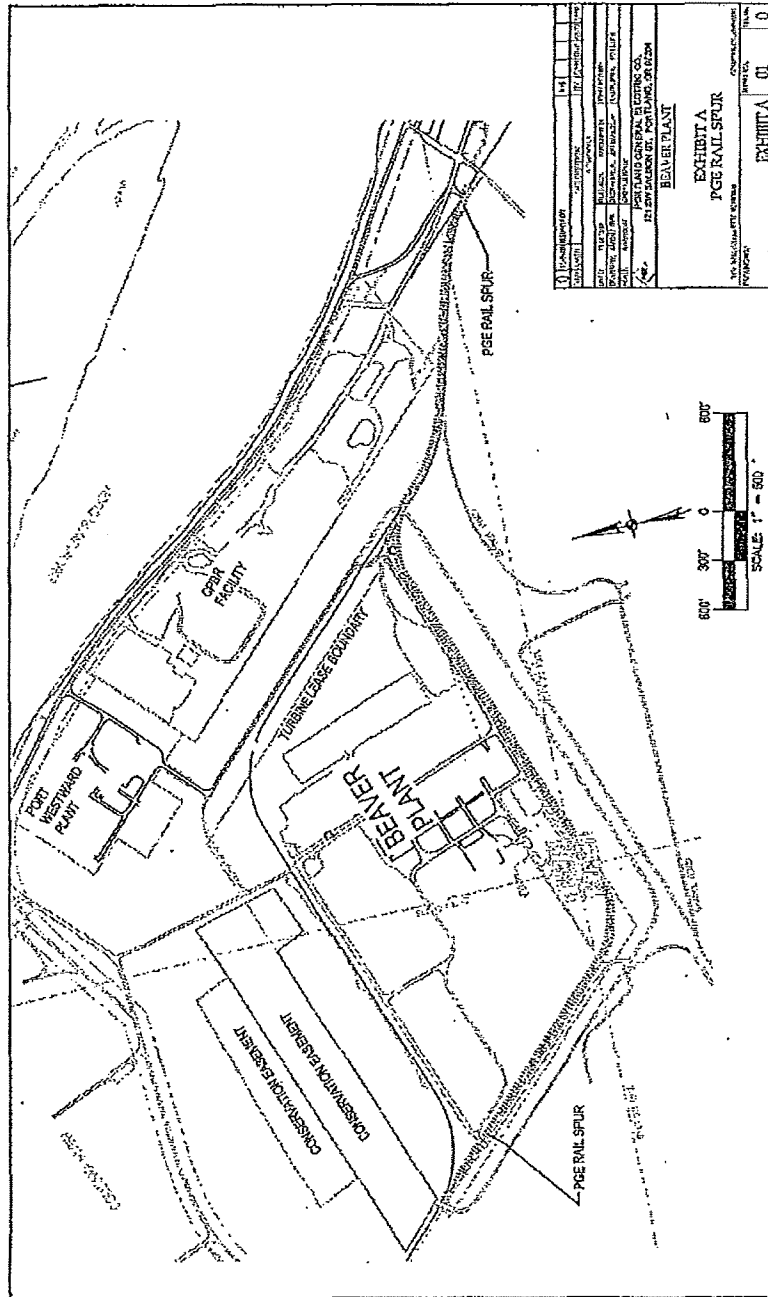
By: 
Name: Robert Keyser
Title: President



EXHIBIT "A"
 Description/Depiction of PGE Rail Spur



8

EXHIBIT "A1"
Sines Construction Proposal, dated May 29, 2012



P.O. Box 2770 • Oregon City, OR 97045
Office: (503) 631-4377 • Fax: (503) 631-4378 • CCB# 152551

May 29, 2012

Columbia Pacific Bio-Refinery

John Blodgett:

email: jblodgettcpbr.com

Following is our proposal concerning installing switches and track work to allow crossing over from track to track.

SCOPE:

- 1 – Remove existing rails and ties at the location for switch to be installed.
- 2 – Excavate and dispose of on site.
- 3 – Install geo-textile fabric.
- 4 – Install base lift of railroad ballast.
- 5 – Install new various length switch ties for #9 turnout.
- 6 – Install re-conditioned #9 – 136 lb. turnout.
- 7 – Install additional railroad ballast.
- 8 – Raise and machine tamp.
- 9 – Install ergonomic spring loaded switch stand and adjust.

FOR THE SUM OF \$ 58,945.00 per switch

I have a figure per foot for the track installed between the switches using #1 – 136 lb. relay rail and new ties; turn key - \$185.00 p/foot.

To install 50 new ties, various locations around the curve on the GE line to make this line serviceable to store empty cars adding additional ballast for low areas, raise, tamp and dress. \$ 19,915.00

All salvage materials become the property of the Contractor.

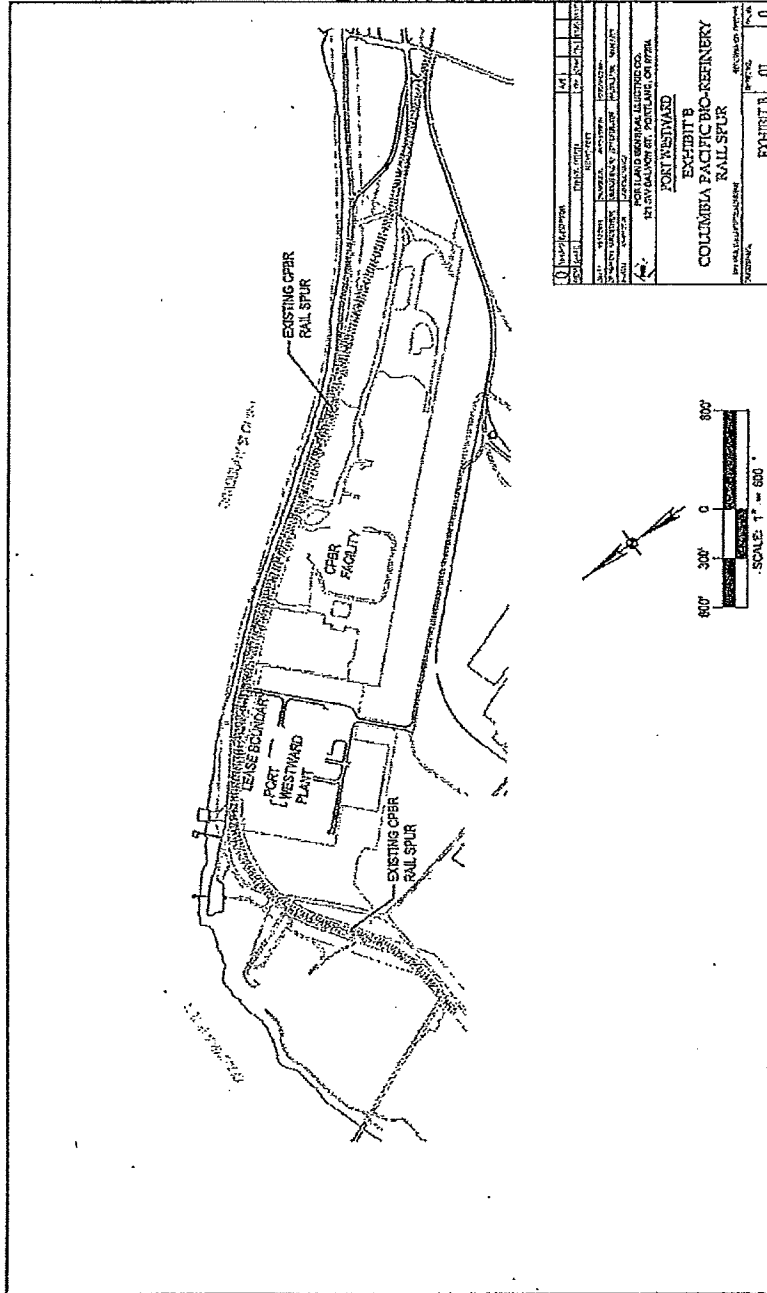
Thank you for the opportunity to submit our proposal, please feel free to call me with any questions.

Sincerely,

SINES CONSTRUCTION, INC.

Craig Sines

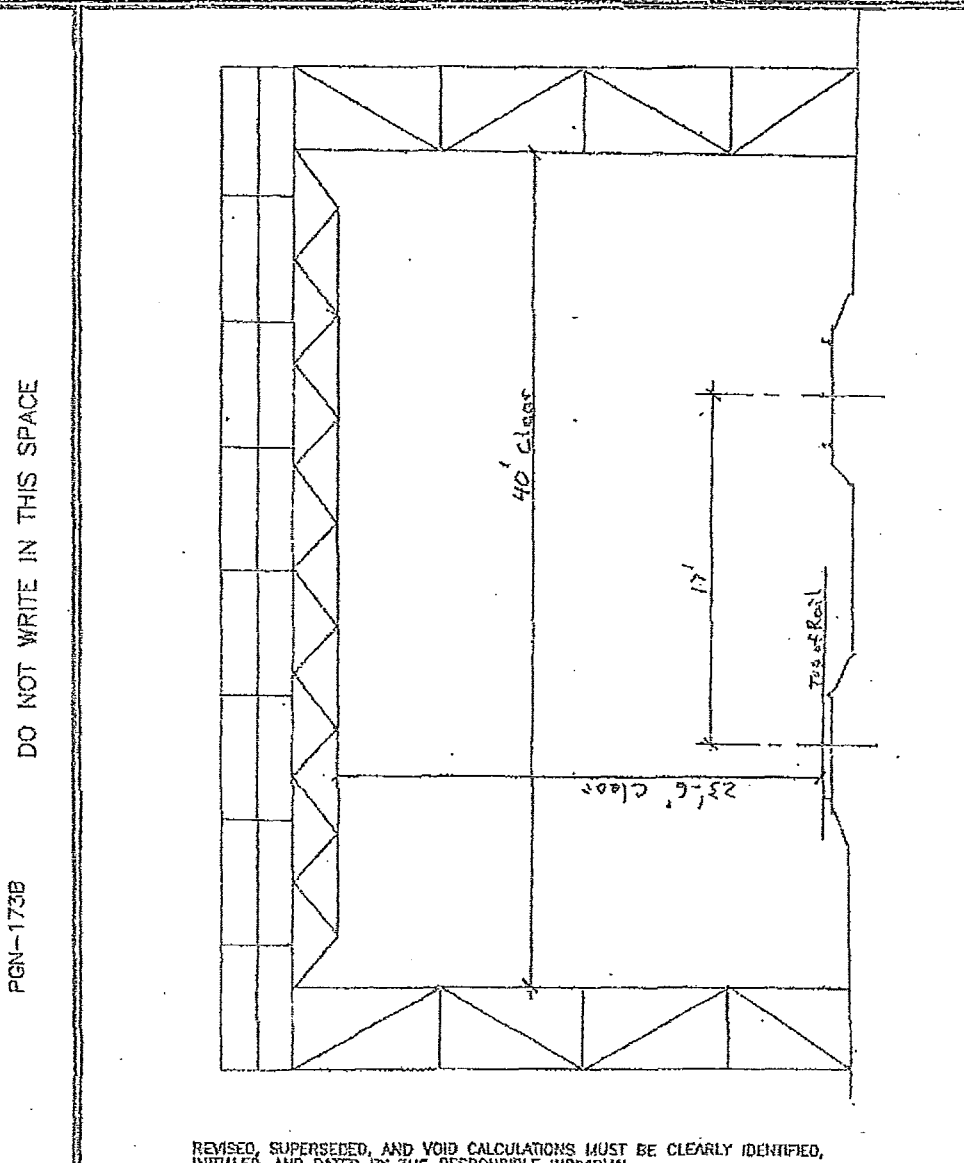
EXHIBIT "B"
 Description/Depiction of CPBR Rail Spur



26


BLACK & VEATCH

Owner _____ Computed By _____
Plant _____ Unit _____ Date _____ 20____
Project No. _____ File No. _____ Verified By _____
Title _____ Date _____ 20____
_____ of _____



AMENDMENT OF RAIL LICENSE AGREEMENT

THIS AMENDMENT OF LICENSE AGREEMENT is entered into as of the 16 day of January, 2014, by and between *PORTLAND GENERAL ELECTRIC COMPANY*, an Oregon corporation ("PGE") and *CASCADE KELLY HOLDINGS LLC*, an Oregon limited liability company doing business as *Columbia Pacific Bio-Refinery* ("CPBR").

RECITALS

A. PGE and CPBR entered into that certain Rail License Agreement dated as of the 13th day of February, 2013, whereby CPBR and PGE granted licenses to each other for the temporary use of portions of their respective property interests at Port Westward (the "Original License Agreement").

B. PGE and CPBR have agreed to amend the terms of the Original License Agreement, upon the terms and conditions set forth herein. The Original License Agreement as amended by this Amendment of License Agreement shall constitute the License Agreement.

C. Capitalized terms not defined herein shall have the same meaning as set forth in the Original License Agreement.

NOW, THEREFORE, for valuable consideration, the current receipt, reasonable equivalence, and sufficiency of which are hereby acknowledged by each of the parties, the parties each agree as follows:

1. *CPBR's Use of the Extended Portion of the PGE Rail Spur.* CPBR shall have the non-exclusive right to use that portion of PGE's rail spur described and depicted in *Exhibit "A"* to the Original License Agreement as such rail spur may be extended and improved consistent with terms of this Rail License Amendment (the "PGE Spur") for the storage of empty rail cars. Such empty rail cars shall be limited to those which either arrived empty or contained corn, bio-fuels, or crude oil when they arrived at the CPBR facility and may contain trace amounts of heels or off-spec/reject corn, bio-fuels, or crude oil off-gases.

2. *Expense of Use and Upgrades.* CPBR shall have the option but not the obligation to improve and extend the PGE Spur consistent with Exhibit A attached hereto and subject to PGE's review and advance written approval of such improvements and extensions. The Parties acknowledge CPBR's option to improve and extend the PGE Spur is conditional and subject to future development, operations and improvement at the Port Westward industrial park and the property leased by the Port of St. Helens to PGE, potential future sub-tenant's use and operations, and PGE's current and future operations at the Port Westward industrial park. The Parties agree to discuss such issues before CPBR proposes to improve and extend the PGE Spur. In the event CPBR elects to make such improvements to the PGE Spur and obtains PGE's advance written approval, CPBR shall bear the entire cost and expense of improving PGE Spur to the extent necessary to accommodate CPBR's use of PGE Spur. Such improvements shall be designed, permitted, constructed, and completed to PGE's commercially reasonable satisfaction prior to CPBR's use of the extended portion of the PGE Spur (that portion not covered by the Original License Agreement).

3. *License Fee.* CPBR shall pay PGE the sum of One Hundred and Twenty Five Thousand Dollars (\$125,000.00) per year (or portion thereof) in advance as part consideration for the use of the PGE Spur. Such sum shall be due no later than 30 days after the date on which the Oregon Public Utility Commission ("OPUC") issues a final order approving this Amendment of Rail License Agreement or finding that such approval is not required (the "Amendment Effective Date") and annually on the same date as the Effective Date each year thereafter. Commencing the anniversary of the Amendment Effective Date in 2019, the annual License Fee may be subject to periodic increase) by PGE, which shall not exceed the previous year to current year (based on two most current years) rate of increase listed in the Consumer Price Index published by the Bureau of Labor Statistics, U.S. City Average, All Items and Major Group Figures for Urban Wage Earners and Clerical Workers, but not to exceed 3% in a single periodic increase. PGE shall provide one hundred twenty days written notice to Licensee of any planned periodic increase.

4. *Use.* The safety of personnel, property and the continued uninterrupted operation of PGE's facilities at Port Westward are of paramount importance in the use of the PGE Spur by CPBR. CPBR, at CPBR's expense, shall be responsible for initiating, maintaining, policing and supervising all activity on and use of the PGE Spur by or on behalf of CPBR. No rail car shall be staged within fifty feet (50') of any rail crossing (as measured from the edge of the road to the nearest point on the rail car). CPBR's use of the PGE Spur under the License Agreement is subject and subordinate to the prior and continuing right and obligation of PGE, in good faith, to use, maintain, operate and upgrade any or all of PGE's current and future property interests and generation facilities at Port Westward at all times including without limitation the right and power of PGE to construct, maintain, repair, renew, use, operate, change, modify or relocate such facilities in good faith upon, along or across any or all parts of its property interests, all or any of which may be freely done at any time or times by PGE without liability to CPBR or to any other party for compensation or damages. If, at any time, any activity of CPBR relating to the PGE Spur results in any material effects which in PGE's reasonable judgment is undesirable or harmful, or interferes with the constant, continuous and uninterrupted use or operation of any of PGE's property interests or facilities at Port Westward, CPBR shall, at the sole expense of CPBR, immediately take such action as shall be reasonably necessary to remedy or remove such interference, including without limitation the limitation or cessation of use of the PGE Spur.

5. *Risk of Loss/Damages, Indemnity and Insurance.* As a major inducement and in part consideration of this Amendment of License Agreement, and in addition to and without waiver of the Risk of Loss, Indemnity and Insurance provisions contained in the License Agreement in favor of PGE, the following provisions shall apply to any use of the PGE Spur by or on behalf of CPBR:

5.1 CPBR shall be responsible for all risk of loss associated with CPBR's activities on and about the PGE Spur and shall, at its own expense, adequately police and supervise all activities on and about the PGE Spur. The responsibility of CPBR for safe conduct and adequate policing and supervision of activities shall not be lessened or otherwise affected by PGE's approval of plans and specifications involving such activities, or by PGE's collaboration in performance of any such activities, or by the presence at the site of a PGE representative, or by compliance by CPBR with any requests or recommendations made by a PGE representative.

5.2 To the fullest extent permitted by law, CPBR shall, and shall cause its agents and contractors and subcontractors to indemnify, defend, and hold harmless PGE and its affiliated companies and their respective directors, officers, employees, contractors and agents (each an "Indemnified Party"), from and against any and all claims, demands, losses, damages, costs, expenses, governmental fines and penalties, causes of action, suits and liabilities of every kind, whether third party or on behalf of CPBR (including reasonable attorneys' fees, court costs, and other expenses related thereto) (collectively "Losses") arising out of or in connection with the use of PGE's Rail Spur by CPBR, its employees, contractors or agents, or any work done, action taken or permitted by CPBR, its employees, contractors or agents under this License Agreement, including but not limited to Losses caused by PGE or any other Indemnified Party. To the extent such Losses occur as a result of an Indemnified Party's negligence, recklessness or intentional misconduct, CPBR's indemnification and release under this Section 5 of this Amendment to License Agreement shall not include the amount of Losses that would have occurred absent use of PGE's Rail Spur by CPBR, its employees, contractors or agents, or any work done, action taken or permitted by CPBR, its employees, contractors or agents under this License Agreement. For example, if PGE's negligence, recklessness or intentional misconduct causes an accident that relates to CPBR's use of the PGE Rail Spur, and third-party damages are \$10 million but would have been \$2 million absent CPBR's use of the PGE's Rail Spur, PGE would be liable to the third party for \$2 million and CPBR would indemnify PGE for the remaining \$8 million liability.

5.3 In addition to and without waiver of the insurance required by the License Agreement, CPBR shall provide to PGE proof of, and continuously maintain, the insurance set forth in *Exhibit "B"* hereto. CPBR shall require its contractors and subcontractors to provide PGE proof of, and continuously maintain insurance. The fact that insurance is obtained by CPBR, and/or CPBR's contractors and/or subcontractors, or by PGE on behalf of CPBR, will not be deemed to release or diminish the liability of CPBR, including, without limitation, liability under the indemnity provisions of the License. Damages recoverable by PGE from CPBR or any third party will not be limited by the amount of the required insurance coverage. If CPBR fails for any reason to procure any such insurance and to deliver the

policies to PGE at least thirty (30) days prior to the expiration of any policy of insurance now or hereafter with regard to the License, PGE may (but shall not be obligated to) procure the same at CPBR's expense and CPBR shall pay PGE the actual cost of such policy within thirty (30) days of receipt of any invoice of same. PGE shall have the right to periodically review the types, limits and terms of insurance coverage to confirm that they are commercially reasonable. In the event PGE determines that such types, limits, and/or terms are not commercially reasonable and should be changed, PGE will provide CPBR a minimum of thirty (30) days' notice of such determination. CPBR shall either promptly modify its coverage to comply with the new insurance requirements of PGE. CPBR shall also provide PGE with proof of such compliance by giving PGE an updated certificate of insurance within fifteen (15) days.

6. *Condition Precedent.* The Parties recognize that the Amendment of Rail License Agreement may require the approval of the OPUC, on terms and conditions acceptable to PGE. Promptly following execution of this Amendment of Rail License Agreement, PGE will request OPUC approval. The terms, obligations, and conditions of this Amendment of Rail License Agreement are subject to the condition that the OPUC issue a final order approving this Amendment of Rail License Agreement (upon terms and conditions acceptable to PGE) or concluding that OPUC approval is not required ("OPUC Order"). If the OPUC Order has not been issued by November 30, 2014, or if the OPUC issues a final order denying approval or materially modifying the terms of this Amendment of Rail License Agreement, then PGE or CPBR may terminate this Amendment of Rail License Agreement.

7. *Termination.* The final sentence of section 17 of the Original License Agreement is deleted and replaced with the following sentence: "In addition to and notwithstanding the foregoing, this License may be terminated by written notice given by either party hereto to the other on any date in such notice stated (Termination Date), not less, however, than sixty (60) days subsequent to the date upon which such notice is given, provided that the Termination Date provided in such notice may not be earlier than one year after the Amendment Effective Date."

8. *Notices.* All notices required under the License Agreement shall be deemed properly served if hand delivered (including by reputable overnight courier) or sent by certified mail, return receipt requested, to the last address previously furnished by the parties hereto. Until hereafter changed by the parties by notice in writing, notices shall be sent to the parties at the addresses set forth below:

to PGE to:

Manager, Property Services Department
Portland General Electric Company
121 SW Salmon Street, 3WTCBR07
Portland, Oregon 97204

and CPBR to:

Cascade Kelly Holdings LLC
Attn: Dan Luckett
81200 Kallunki Road
Clatskanie, Oregon 97016

With a copy to

General Counsel

Global Partners, LP

800 South Street

Waltham, MA 02453

A copy of all insurance communications shall also be directed to: PGE Risk Management, Portland General Electric Company, 121 SW Salmon Street, 3WTC0403, Portland, Oregon 97204.

If mailed, the notice shall be deemed received five (5) days after the date such notice is deposited in a post office of the United States Postal Service, postage prepaid, return receipt requested, certified mail. If delivered by hand, the notice shall be deemed received as of the date of delivery or refusal of delivery.

9. *Representations.* CPBR and PGE represent to each other that, as amended by this Amendment of License Agreement, the License Agreement remains unmodified and in full force and effect.

10. *Public Disclosures.* The Parties intend to consult with each other regarding the timing, content, and form before issuing any press release or other public disclosure of all information related to the PGE Spur. Any press release or public disclosure related to the PGE Spur shall be approved in writing by


each of the Parties. This does not prohibit any Party from making any public disclosure if, in the opinion of its legal counsel, such disclosure is required by any applicable law. Nothing contained herein shall prohibit or limit PGE from providing any information PGE deems appropriate to the Oregon Public Utility Commission or the Federal Energy Regulatory Commission.


11. *Controlling Agreement.* In the event of any conflict between any other part of the Original License Agreement and this Amendment of License Agreement, the terms and conditions of this Amendment of License Agreement shall control. To the extent that this Amendment of License Agreement may have been executed following any effective dates set forth herein, said effective dates are hereby ratified, confirmed, and approved. This Amendment of License Agreement may be executed in counterparts, and such counterparts together shall constitute but one original of the Amendment. Each counterpart shall be equally admissible in evidence, and each original shall fully bind each party who has executed it.

12. *Related Agreements.* PGE and CPBR are parties to a number of agreements related to Port Westward and to the real property subject to the License Agreement, including without limitation, the Cascade Grain Sublease and the First Amendment to Rail Easement Agreement. CPBR, the Port and PGE each understand, acknowledge and agree that the License Agreement and this Amendment of the License Agreement does not amend or in any way alter the respective rights and obligations as outlined in any of those agreements, including without limitation, the Safe Harbor Limits set forth in Exhibit "K" to the Cascade Grain Sublease, that certain letter from PGE to CPBR regarding rail use dated July 23, 2013, and CPBR's continuing obligation to improve Hermo Road.

13. *Entire Agreement.* Time is of the essence of every provision of this Amendment of License Agreement. The Recitals are true and correct and incorporated herein by this reference. This instrument, along with any exhibits and attachments or other documents affixed hereto or referred to herein, constitute the entire and exclusive agreement between PGE and CPBR relative to the License Agreement and the subject matter thereof, and the License Agreement may be further altered and/or revoked only by an instrument in writing signed by both PGE and CPBR. As amended by this Amendment of License Agreement, the terms and conditions of the Original License Agreement shall remain unmodified and in full force and effect.

The parties have executed this Amendment of License Agreement effective as of the date first set forth above. Subject to the provisions of Section 14 of the Original License Agreement, this Amendment of License Agreement shall be binding upon and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors and assigns. CPBR shall not record this Amendment of License Agreement.

PGE: **PORTLAND GENERAL ELECTRIC COMPANY,** DFW
an Oregon corporation
By: 
Name: **Maria M. Pope**
Title: **SRVP Power Supply &**
 Operations & Resource Strategy

CPBR: **CASCADE KELLY HOLDINGS LLC,**
an Oregon limited liability company doing business as
Columbia Pacific Bio-Refinery
By: 
Name: **MARK ROMAINS**
Title: **COO**

READ AND APPROVED:

PORT: **PORT OF ST. HELENS,**
a municipal corporation of the State of Oregon

By: _____
Name: _____
Title: _____

EXHIBIT "B"

Insurance Requirements

1. Acceptable Insurers. All insurance required herein must be obtained from insurers duly authorized to do business in Oregon and which maintain a minimum financial strength rating of "A- VIII" by the A. M. Best Key Rating Guide.
2. Required Insurance and Minimum Limits. During the term of this Amendment of License Agreement, CPBR and its contractors and subcontractors must each obtain and maintain, at its sole expense, insurance coverage. CPBR shall require its contractors and subcontractors (each "Contractor") to provide PGE proof of, and continuously maintain commercially reasonable insurance consistent with the scope of work and this agreement. CPBR shall obtain and maintain, at its sole expense, the following insurance coverage:
 - A. Workers' Compensation and Employer's Liability Insurance
 - i. Scope. Workers' Compensation and Employer's Liability to cover claims under applicable State or Federal workers' compensation laws. Coverage must include Employer's Liability to cover claims for injury, disease or death of employees which, for any reason, may not fall within the provisions of the applicable workers' compensation law.
 - ii. Minimum Required Limit.

Workers' Compensation: Statutory
Employer's Liability: \$2,000,000 each accident, bodily injury by accident
\$2,000,000 each employee, bodily injury by disease
\$2,000,000 policy limit, bodily injury by disease
 - iii. Waiver of Subrogation. The insurance must provide that the insurer waives all rights to recover any payments made from PGE, its affiliates, and their respective officers, directors, agents and employees.
 - B. Commercial General Liability Insurance

Scope. Commercial General Liability Insurance written on the current ISO occurrence form (or a substitute form providing equivalent coverage) and must cover liability arising from premises, operations, independent contractors, products-completed operations, personal and advertising injury, and liability assumed under an insured contract (including the tort liability of another assumed in a business contract). Such coverage must not contain any exclusionary language regarding work performed or operations on or within Fifty (50') feet of a railroad. If any activity involves or requires blasting, explosive conditions, or underground operations, the coverage must not contain any exclusion relative to blasting, explosion, collapse of buildings, or damage to underground structures.

 - i. Minimum Required Limit. \$2,000,000 Each Occurrence
 - ii. Waiver of Subrogation. The insurance must provide that the insurer waives all rights to recover any payments made from PGE, its affiliates, and their respective officers, directors, agents and employees.
 - iii. Additional Insured. The insurance must include PGE, its affiliates, and their respective officers, directors, agents and employees as additional insureds. Such coverage must be at least as broad as the coverage provided under ISO endorsements CG 20 10 "Owners, Lessees or Contractors – Scheduled Person or Organization" and CG 20 37 "Owners, Lessees or Contractors – Completed Operations". This insurance must apply as primary insurance without any contribution from any other insurance or self-insurance afforded to such additional insured. There must not be any endorsement or modification of this insurance to make it excess over any other insurance available to such additional insured.

- iv. Completed Operations. CPBR must purchase completed operations coverage for a period of two (2) years after termination or expiration of the License Agreement.

C. Automobile Liability Insurance

- i. Scope. Automobile Liability insurance to cover liability arising out of any auto (including owned, hired, and non-owned autos) used in connection with the activities of CPBR.
- ii. Minimum Required Limit. \$2,000,000 Each Accident
- iii. Pollution. If CPBR is transporting chemicals, hazardous materials, or similar pollutants, then the Automobile Liability Insurance must include pollution liability coverage at least as broad as the coverage provided under the ISO endorsement CA 99 48 "Pollution Liability—Broadened Coverage For Covered Autos".
- iv. Waiver of Subrogation. The insurance must provide that the Insurer waives all rights to recover any payments made from PGE, its affiliates, and their respective officers, directors, agents and employees.
- v. Additional Insured. The insurance must include PGE, its affiliates, and their respective officers, directors, agents and employees as additional insureds. This insurance must apply as primary insurance without any contribution from any other insurance or self-insurance afforded to such additional insured. There must not be any endorsement or modification of the insurance to make it excess over any other insurance available to such additional insured.

D. Professional Liability Insurance (Errors and Omission Insurance)

- i. Scope. If any activity involves the rendering of professional services then CPBR must obtain and maintain Professional Liability (Errors and Omissions) insurance to cover claims arising from acts, errors or omissions arising from such professional services. CPBR will require Professional Liability (Errors and Omissions) insurance in the same amounts from any and all third parties Contractors utilized in performing its design responsibilities under the License Agreement.
- ii. Minimum Required Limit. \$1,000,000 Per Claim
- iii. Extended Reporting Period. The insurance must contain an extended reporting period of five (5) years.

E. Pollution Legal Liability

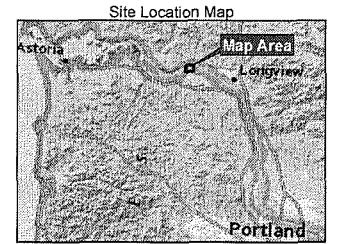
- i. Scope. If the Work includes cleanup, removal, storage, or otherwise handling of hazardous or toxic chemicals, materials, substances, or any other pollutants, CPBR or its Contractor shall provide at its expense Pollution Legal Liability Insurance appropriate to cover such activities against the risk of bodily injury and property damage. Such policy must be endorsed to specifically provide coverage for Work performed under this Agreement and must extend to all Subcontractors engaged in cleanup, removal, storage, or otherwise handling of hazardous or toxic chemicals, materials, substances, or any other pollutants.
- ii. Minimum Required Limit. \$5,000,000 Per Claim
- iii. Additional Insured. The insurance must include PGE, its affiliates, and their respective officers, directors, agents and employees as additional insureds. This insurance must apply as primary insurance without any contribution from any other insurance or self-insurance afforded to such additional insured. There must not be any endorsement or modification of the insurance to make it excess over any other insurance available to such additional insured.
- iv. Waiver of Subrogation. The insurance must provide that the insurer waives all rights to recover any payments made from PGE, its affiliates, and their respective officers, directors, agents and employees.

3. Excess or Umbrella Insurance. The required minimum limits may be met through any combination of primary and excess insurance policies.
4. Certificates of Insurance. Prior to commencement of any activity pursuant to the License Agreement, CPBR must furnish PGE with a Certificate of Insurance evidencing compliance with these requirements. Without penalty or default, PGE has the right, but not the obligation, to prohibit commencement of any activity until such Certificate of Insurance or other evidence satisfactory to PGE is received and approved by PGE. The Certificate of Insurance must list as the certificate holder:

Portland General Electric Company
Attn: Sourcing & Contracts
121 SW Salmon Street
Portland, OR 97204

5. No Waiver. PGE's failure to demand the Certificate of Insurance or to identify a deficiency from the Certificate of Insurance or other evidence provided will not be deemed a waiver of PGE's rights or CPBR's obligations. Furthermore, these insurance requirements must not be construed in any manner as waiving, restricting or limiting PGE's rights or CPBR's obligations under this Agreement.
6. Notice of Cancellation. No insurance policy may be canceled or materially modified unless CPBR or insurer(s) provide at least thirty (30) days prior written notice to PGE.
7. Failure to Maintain Required Insurance. If at any time during the term of the License Agreement CPBR fails to maintain any required insurance, PGE may, at its sole discretion, suspend the License Agreement until such time as proof of insurance meeting the requirements of PGE's Insurance Requirements is provided to PGE.
8. Contractor Responsible for Deductibles or Retentions. With respect to any insurance required herein, CPBR must bear all costs of all deductibles or Self-Insured Retentions.
9. No Representation of Coverage Adequacy. PGE does not represent that coverage and limits required herein will be adequate to protect CPBR or its Contractors. CPBR remains responsible for any liability not paid by insurance.
10. Contractor's Property. CPBR and its Contractors are responsible for any loss or damage to its property, however caused, and any insurance covering such property will be at CPBR and Contractors expense and must provide that the insurer waives all rights to recover any payments made from PGE, its affiliates, and their respective officers, directors, agents and employees.
11. No Violation of Insurance Policies. CPBR and Contractor must not knowingly violate or knowingly permit any violation of any warranties, representations, declarations or conditions contained in the policies of insurance.
12. No Claims. As of the execution date of this Agreement, CPBR is not aware of any claims or potential claims which have been made, filed or threatened against any of the insurance required herein.
13. Other Insurance. If there is any material change to the nature or scope of the Activity, PGE may require CPBR to obtain and maintain additional insurance.

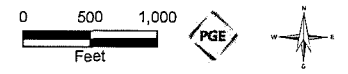
Subcontractors. If subcontractors or third parties are used in the performance of any Activity at the PGE Rail Spur, then CPBR must cause each of its subcontractors or third parties to comply with the same insurance requirements imposed on Contractor herein. If requested by PGE, CPBR must furnish certificates of insurance evidencing compliance with these requirements for each subcontractor or third party.



Map Features

Rail Spur

- Cascade Sub Spur
- Main Joint Spur
- PGE Sub Spur
- PGE Lease Boundary



Portland General Electric
 Portland, Oregon

**Port Westward
 Preliminary Master Plan**

Date: 05/14/14	Drawn By: J.B. Hoy	Rev:
Drawing File: J:\Port_Westward\Maps\PW_AVISTA_Lease_061814.mxd		

Portland General Electric Company and Subsidiaries
 Consolidated Balance Sheet
 March 31, 2014
 (In Millions)

	March 31, 2014	Adjustments ⁽¹⁾	Adjusted Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 64	\$ 0.125	\$ 64.125
Accounts receivable, net	158		158
Unbilled revenues	77		77
Inventories	64		64
Margin deposits	17		17
Regulatory assets - current	55		55
Other current assets	114		114
Total current assets	549	0.125	549.125
Electric utility plant	7,144		7,144
Construction work in progress	633		633
Total cost	7,777		7,777
Less: accumulated depreciation and amortization	(2,768)		(2,768)
Electric utility plant, net	5,009		5,009
Regulatory assets - noncurrent	448		448
Non-qualified benefit plan trust	33		33
Nuclear decommissioning trust	83		83
Other noncurrent assets	47		47
Total assets	\$ 6,169	\$ 0.125	\$ 6,169.125
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable	\$ 147		\$ 147
Short-term debt	-		-
Liabilities from price risk management activities - current	52		52
Current portion of long-term debt	70		70
Accrued expenses and other current liabilities	182		182
Total current liabilities	451	-	451
Long-term debt, net of current portion	1,846		1,846
Regulatory liabilities - noncurrent	899		899
Deferred income taxes	605		605
Liabilities from price risk management activities - noncurrent	126		126
Unfunded status of pension and postretirement plans	157		157
Non-qualified benefit plan liabilities	102		102
Asset retirement obligations	101		101
Other noncurrent liabilities	25		25
Total liabilities	\$ 4,312	\$ -	\$ 4,312
Commitments and contingencies (see notes)	-		-
Equity			
Portland General Electric Company shareholders' equity			
Preferred stock	-		-
Common stock	912		912
Accumulated other comprehensive loss	(5)		(5)
Retained earnings	949	0.125	949.125
Total Portland General Electric Company shareholders' equity	1,856	0.125	1,856.125
Noncontrolling interests' equity	1		1
Total Equity	1,857	0	1,857
Total liabilities and equity	\$ 6,169.000	\$ 0.125	\$ 6,169.125

⁽¹⁾ Reflects journal entries in Exhibit "J"

Portland General Electric Company and Subsidiaries
 Consolidated Statement of Income
 Three Months Ended
 March 31, 2014
 (In Millions)

	Three Months Ended March 31, 2014	Adjustments ⁽¹⁾	Adjusted Total
Revenues	\$493	\$ 0.125	\$493.125
Operating Expenses:			
Purchased power and fuel	184		184
Production and distribution	54		54
Administrative and other	54		54
Depreciation and amortization	75		75
Taxes other than income taxes	28		28
Total operating expenses	<u>395</u>		<u>395</u>
Income from Operations	98	0.125	98.125
Other Income:			
Allowance for equity funds used during construction	6		6
Miscellaneous income, net	(1)		(1)
Other Income, net	<u>5</u>	\$ -	<u>5</u>
Interest Expense	25		25
Income before income taxes	<u>78</u>	\$ 0.125	<u>78.125</u>
Income Taxes	20		20
Net Income	<u>58.000</u>	\$ 0.125	<u>58.125</u>
Less: net loss attributable to noncontrolling interests	-		-
Net Income attributable to Portland General Electric Company	<u>\$58</u>	<u>\$0.125</u>	<u>\$58.125</u>

Portland General Electric Company and Subsidiaries
 Consolidated Statement of Retained Earnings
 Three Months Ended
 March 31, 2014
 (In Millions)

	<u>Retained Earnings</u>	<u>Adjustments ⁽¹⁾</u>	<u>Adjusted Total</u>
Balance at Beginning of Period, January 1, 2014	\$913		\$913
Net Income	58	0.125	58.125
	971	0.125	971.125
Dividends Declared			
Common stock	(22)		(22)
Balance at End of Period, March 31, 2014	<u>\$949</u>	<u>\$0.125</u>	<u>\$949.125</u>

(1) Reflects journal entries in Exhibit "J"

PORTLAND GENERAL ELECTRIC COMPANY
PROPOSED JOURNAL ENTRIES

The following entries are to record the annual license fee for CPBR's use of the rail spur serving PGE's Beaver power plant located near Clatskanie, OR.

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
	[1]		
131	Cash	125,000	
456	Other Electric Revenues		125,000

To record annual license fee for CPBR's use of the rail spur serving PGE's Beaver power plant located near Clatskanie, OR.

Cost and Description of Property	<u>Original</u>	<u>Reserve</u>	<u>Net Plant</u>
<u>FERC 341 Other Production - Structures and improvements</u>	Bookcost		
Rail consisting of Track and Switches. Existing facilities were upgraded by PGE in 1977.	\$ 1,027,027	\$ (1,027,027)	\$ -