

PORTLAND GENERAL ELECTRIC CO /OR/
Form DEF 14A
March 16, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

Portland General Electric Company

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

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No fee required.

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March 16, 2017

To our shareholders:

On behalf of the Board of Directors, we are pleased to invite you to Portland General Electric Company's 2017 Annual Meeting of Shareholders. The meeting will be held at 10:00 a.m. Pacific Time on Wednesday, April 26, 2017, in the Conference Center Auditorium located at Two World Trade Center, 25 SW Salmon Street, Portland, Oregon 97204. Details of the business we plan to conduct at the meeting are included in the attached Notice of Annual Meeting of Shareholders and proxy statement. Only holders of record of PGE common stock at the close of business on February 28, 2017 are entitled to vote at the meeting. Your vote is very important. Regardless of the number of shares you own, we encourage you to participate in the affairs of the company by voting your shares at this year's annual meeting. Even if you plan to attend the meeting, it is a good idea to vote your shares before the meeting. We hope you will find it possible to attend this year's annual meeting, and thank you for your interest in PGE and your participation in this important annual process.

Cordially,

Jack E. Davis
Chairman of the Board

James J. Piro
President and Chief Executive Officer

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON APRIL 26, 2017

To our shareholders:

The 2017 Annual Meeting of Shareholders of Portland General Electric Company will be held at the Conference Center Auditorium located at Two World Trade Center, 25 SW Salmon Street, Portland, Oregon 97204, at 10:00 a.m. Pacific Time on Wednesday, April 26, 2017.

The meeting is being held for the following purposes, which are more fully described in the proxy statement that accompanies this notice:

1. To elect directors named in the proxy statement for the coming year;
2. To ratify the appointment of Deloitte & Touche LLP as the company's independent registered public accounting firm for fiscal year 2017;
3. To approve, in a non-binding vote, the compensation of the company's named executive officers;
4. To recommend, in a non-binding vote, the frequency of future non-binding shareholder votes to approve the compensation of the company's named executive officers; and
5. To transact any other business that may properly come before the meeting and any adjournment or postponement of the meeting.

As of the date of this notice, the company has received no notice of any matters, other than those set forth above, that may properly be presented at the annual meeting. If any other matters are properly presented for consideration at the meeting, the persons named as proxies on the enclosed proxy card, or their duly constituted substitutes, are authorized to vote the shares represented by proxy or otherwise act on those matters in accordance with their judgment.

The close of business on February 28, 2017 has been fixed as the record date for determining shareholders entitled to vote at the annual meeting. Accordingly, only shareholders of record as of the close of business on that date are entitled to vote at the annual meeting or any adjournment or postponement of the annual meeting.

Your vote is very important. Please read the proxy statement and then, whether or not you expect to attend the annual meeting, and no matter how many shares you own, vote your shares as promptly as possible. You can vote by proxy over the Internet, by mail or by telephone by following the instructions provided in the proxy statement. Submitting a proxy now will help ensure a quorum and avoid added proxy solicitation costs. If you attend the meeting, you may vote in person, even if you have previously submitted a proxy.

You may revoke your proxy at any time before the vote is taken by delivering to the Corporate Secretary of PGE a written revocation or a proxy with a later date or by voting your shares in person at the meeting, in which case your prior proxy will be disregarded.

BY ORDER OF THE BOARD OF DIRECTORS,

Marc S. Bocci
Corporate Secretary

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PROXY STATEMENT SUMMARY

This summary highlights information contained elsewhere in this proxy statement. It does not contain all of the information you should consider. Please review the entire proxy statement carefully before voting.

Annual Meeting of Shareholders

Date and Time: April 26, 2017, 10:00 a.m. Pacific Time

Place: Conference Center Auditorium

Two World Trade Center

25 SW Salmon Street

Portland, Oregon 97204

Record Date: February 28, 2017

Voting Matters and Board Voting Recommendations

Proposal 1: Election of Directors

The Board recommends a FOR vote for the election of each of the director nominees named in the proxy statement.

Proposal 2: Ratification of Appointment of Auditors

The Board recommends a FOR vote on this proposal.

Proposal 3: Advisory Vote on Executive Compensation

The Board recommends a FOR vote on this proposal.

Proposal 4: Advisory Vote on Frequency of Future Advisory Votes on Executive Compensation

The Board recommends that you vote for a frequency of "One Year" on this proposal.

PROPOSAL 1: ELECTION OF DIRECTOR NOMINEES

Name	Age	Director Since
John W. Ballantine	71	2004
Rodney L. Brown, Jr.	61	2007
Jack E. Davis, Chairman	70	2012
David A. Dietzler	73	2006
Kirby A. Dyess	70	2009
Mark B. Ganz	56	2006
Kathryn J. Jackson	59	2014
Neil J. Nelson	58	2006
M. Lee Pelton	66	2006
James J. Piro	64	2009
Charles W. Shivery	71	2014

PROPOSAL 2: RATIFICATION OF INDEPENDENT AUDITORS

We are asking our shareholders to ratify the selection of Deloitte & Touche LLP (“Deloitte”) as our independent auditor for 2017. Set forth below is a summary of information with respect to Deloitte’s fees for services provided in 2016 and 2015.

	2016	2015
Audit Fees	\$1,625,000	\$1,555,000
Audit-Related Fees	79,564	57,000
Tax Fees	—	—
All Other Fees	5,700	5,300
Total	\$1,710,264	\$1,617,300

PROPOSAL 3: ADVISORY VOTE ON EXECUTIVE COMPENSATION

We are asking shareholders to approve, on an advisory basis, our named executive officer compensation. The Board of Directors recommends a “FOR” vote because it believes that our compensation policies and practices help us achieve our goals of rewarding strong and sustained financial and operating performance, leadership excellence and alignment of our executives’ long-term interests with those of our stakeholders.

Below are some of the key features of our executive compensation program that we believe help enable the company to achieve its performance goals:

- ♣ A significant percentage of compensation at risk.
- ♣ Incentive pay based on quantifiable company measures.
- ♣ Balanced focus on financial results and operations.
- ♣ Stock ownership guidelines that align executives’ interests with those of shareholders.
- ♣ An independent compensation consultant that reports directly to the Compensation and Human Resources Committee.
- ♣ Low burn rate (the rate at which equity incentive awards are made).
- ♣ No significant perquisites.
- ♣ No tax gross-ups.

These features are reflected in the 2016 compensation of our named executive officers, which is summarized in the table below. This table should be read in conjunction with the additional information on our executive compensation program included in the Compensation Discussion and Analysis section of this proxy statement and the related executive compensation tables that follow it.

EXECUTIVE COMPENSATION TABLE

Name and Principal Position	Year	Salary	Stock Award	Non-Equity Incentive Plan Compensation	Change in Pension Value and Non-Qualified Deferred Compensation Earnings	All Other Compensation	Totals
James J. Piro President and Chief Executive Officer	2016	836,431	1,517,452	680,574	135,052	148,124	3,317,633
	2015	805,549	1,395,704	688,826	41,221	138,451	3,069,751
	2014	789,028	1,255,429	730,622	214,340	108,421	3,097,840
James F. Lobdell Senior Vice President, Finance, Chief Financial Officer and Treasurer	2016	449,074	461,998	206,396	114,897	45,824	1,278,189
	2015	413,356	402,470	201,648	14,470	44,943	1,076,887
	2014	357,540	349,986	193,503	247,236	37,560	1,185,825
Maria M. Pope Senior Vice President, Power Supply, Operations and Resource Strategy	2016	477,576	494,985	245,180	55,384	60,683	1,333,808
	2015	464,728	438,582	234,258	25,302	64,135	1,227,005
	2014	451,076	429,997	269,552	67,259	57,839	1,275,723
J. Jeffrey Dudley Vice President, General Counsel and Corporate Compliance Officer	2016	398,086	332,983	166,364	54,397	48,352	1,000,182
	2015	385,729	289,784	169,364	(1,375)	48,796	892,298
	2014	367,145	275,988	178,742	110,026	142,607	1,074,508
William O. Nicholson Senior Vice President, Customer Service, Transmission & Distribution	2016	322,903	223,992	135,991	120,053	39,627	842,566
	2015	317,720	216,781	142,684	46,614	43,586	767,385
	2014	303,579	206,485	146,212	252,063	29,549	937,888

PROPOSAL 4: ADVISORY VOTE ON FREQUENCY OF FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION

We are asking shareholders to recommend, in a non-binding vote, a frequency of one year for future non-binding shareholder votes to approve the compensation of the company's named executive officers.

Important Dates for 2018 Annual Meeting

We plan to hold our 2018 Annual Meeting of Shareholders on April 25, 2018. Shareholder proposals submitted for inclusion in our 2018 proxy statement pursuant to Rule 14a-8 under the Securities Exchange Act of 1934 must be received by us by November 17, 2017. Shareholder proposals to be brought before the 2018 Annual Meeting of Shareholders outside of Rule 14a-8 must be received by us by December 27, 2017. After November 17, 2017, and up to December 27, 2017 a shareholder may submit a proposal to be presented at the annual meeting, but it will not be included in our proxy statement or form of proxy relating to the 2018 annual meeting.

Proxy Statement

This proxy statement is being furnished to you by the Board of Directors of Portland General Electric Company ("PGE" or the "company") to solicit your proxy to vote your shares at our 2017 Annual Meeting of Shareholders. The meeting will be held at the Conference Center Auditorium located at Two World Trade Center, 25 SW Salmon Street, Portland, Oregon 97204 at 10:00 a.m. Pacific Time on Wednesday, April 26, 2017. This proxy statement and the enclosed proxy card and 2016 Annual Report are being mailed to shareholders, or made available electronically, on or about March 16, 2017.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND EXECUTIVE OFFICERS

On February 28, 2017 there were 89,059,366 shares of PGE common stock outstanding. The following table sets forth, as of that date unless otherwise specified, the beneficial ownership of PGE common stock of (1) known beneficial owners of more than 5% of the outstanding shares of PGE common stock, (2) each director or nominee for director, (3) each of our “named executive officers” listed in the Summary Compensation Table, and (4) our executive officers and directors as a group. Each of the persons named below has sole voting power and sole investment power with respect to the shares set forth opposite his, her or its name, except as otherwise noted.

Name and Address of Beneficial Owner	Amount and Nature of Ownership	Percent of Class
5% or Greater Holders		
The Vanguard Group, Inc.(1) 100 Vanguard Blvd. Malvern, PA 19355	7,507,131	8.44 %
BlackRock, Inc.(2) 40 East 52nd Street New York, NY 10022	5,844,601	6.60 %
Non-Employee Directors		
John W. Ballantine	18,690 (3)	*
Rodney L. Brown, Jr.	18,014 (3)	*
Jack E. Davis	10,179 (3)	*
David A. Dietzler	18,690 (3)	*
Kirby A. Dyess	15,056 (3)	*
Mark B. Ganz	18,690 (3)(4)	*
Kathryn J. Jackson	6,867 (3)	*
Neil J. Nelson	18,290 (3)(4)	*
M. Lee Pelton	18,690 (3)	*
Charles W. Shivery	7,285 (3)	*
Named Executive Officers		
James J. Piro	157,242	*
James F. Lobdell	31,530	*
Maria M. Pope	22,263 (4)	*
J. Jeffrey Dudley	44,472	*
William O. Nicholson	22,313	*
All of the above officers and directors and other executive officers as a group (22 persons)	486,397	*

*Percentage is less than 1% of PGE common stock outstanding.

(1) As reported on Schedule 13G/A filed with the Securities and Exchange Commission on February 13, 2017, reporting information as of December 31, 2016.

(2) As reported on Schedule 13G/A filed with the Securities and Exchange Commission on January 25, 2017, reporting information as of December 31, 2016. The Schedule 13G/A indicates that the shares are held by 11 separate entities and that none of these entities beneficially own 5% or more of the outstanding PGE common stock.

(3) Includes 513 shares of common stock that will be issued on March 31, 2017 upon the vesting of restricted stock units granted under the Portland General Electric Company 2006 Stock Incentive Plan. Restricted stock units do

not have voting or investment power until the units vest and the underlying common stock is issued.

(4) Shares are held jointly with the individual's spouse, who shares voting and investment power.

SECTION 16(a) BENEFICIAL REPORTING COMPLIANCE

The rules of the Securities and Exchange Commission require that we disclose late filings of reports of stock ownership (and changes in stock ownership) by our directors and executive officers and persons who beneficially own more than 10% of our common stock. To the best of our knowledge, all of the filings required by Section 16(a) of the Securities Exchange Act of 1934 for our directors and executive officers and persons who beneficially own more than 10% of our common stock were made on a timely basis in 2016.

EXECUTIVE OFFICERS

JAMES J. PIRO President and Chief Executive Officer, age 64.

Appointed President and Co-Chief Executive Officer on January 1, 2009 and appointed President and Chief Executive Officer on March 1, 2009. Served as Executive Vice President, Chief Financial Officer and Treasurer from July 2002 to December 2008. Served as Senior Vice President Finance, Chief Financial Officer and Treasurer from May 2001 until July 2002. Served as Vice President, Chief Financial Officer and Treasurer from November 2000 until May 2001. Served as Vice President, Business Development from February 1998 until November 2000.

JAMES F. LOBDELL Senior Vice President, Finance, Chief Financial Officer and Treasurer, age 58.

Appointed to current position on March 1, 2013. Served as Vice President, Power Operations and Resource Strategy from August 2, 2004 until appointed to current position. Served as Vice President, Power Operations from September 2002 until August 2, 2004. Served as Vice President, Risk Management Reporting, Controls and Credit from May 2001 until September 2002.

WILLIAM O. NICHOLSON Senior Vice President, Customer Service, Transmission and Distribution, age 58.

Appointed to current position on April 18, 2011. Served as Vice President, Distribution Operations from August 2009 until appointed to current position. Served as Vice President, Customers and Economic Development from May 2007 until August 2009. Served as General Manager, Distribution Western Region from April 2004 until May 2007. Served as General Manager, Distribution Line Operations and Services from February 2002 until April 2004.

MARIA M. POPE Senior Vice President, Power Supply, Operations and Resource Strategy, age 52.

Appointed to current position on March 1, 2013. Served as Senior Vice President, Finance, Chief Financial Officer and Treasurer from January 1, 2009 until appointed to current position. Previously served as a director of the company from January 2006 to December 2008. Served as Vice President and Chief Financial Officer of Mentor Graphics Corporation, a software company based in Wilsonville, Oregon, from July 2007 to December 2008. Prior to joining Mentor Graphics, served as Vice President and General Manager, Wood Products Division of Pope & Talbot, Inc., a pulp and wood products company, from December 2003 to April 2007. Pope & Talbot, Inc. filed a voluntary petition under Chapter 11 of the federal bankruptcy laws on November 19, 2007.

LARRY N. BEKKEDAHL Vice President, Transmission and Distribution, age 56.

Appointed to current position on August 25, 2014. Served as Senior Vice President of Transmission Services at Bonneville Power Administration from June 2012 to August 2014, and as Vice President of Engineering and Technical Services from April 2008 to June 2012. Prior to joining Bonneville Power Administration, served as Director of Engineering and Technical Services for Clark Public Utilities from 2001 to 2008, and served in various capacities for PacifiCorp from 1984 to 2001.

CAROL A. DILLIN Vice President, Customer Strategies and Business Development, age 59.

Appointed to current position on August 1, 2009. Served as Vice President, Public Policy from February 2004 until appointed to current position.

J. JEFFREY DUDLEY Vice President, General Counsel and Corporate Compliance Officer, age 68.

Appointed to current position on August 10, 2007. Served as Associate General Counsel from May 2001 until appointed to current position and was the lead regulatory attorney on state and federal matters.

CAMPBELL A. HENDERSON Vice President, Information Technology and Chief Information Officer, age 63.

Appointed to current position on August 1, 2006. Served as Chief Information Officer and General Manager, Information Technology from August 2005 until appointed to current position.

BRADLEY Y. JENKINS Vice President, Power Supply Generation, age 53.

Appointed to current position on September 1, 2015. Served as General Manager, Diversified Plant Operations, from November 2013 until appointed to current position. Served as Plant General Manager, Boardman Power Plant from September 2012 to November 2013 and as Operations Manager, Boardman Power Plant from March 2012 to September 2012. Prior to joining PGE, Mr. Jenkins served in a variety of leadership and management roles in the utility industry with 24 years of experience in large generating facilities. He served as Maintenance Manager for Sandvik Special Metals from March 2011 to March 2012, as Lead Maintenance Assessor for Tecmer from February 2011 to March 2011, and as Maintenance Manager for Energy Northwest from

April 2006 to November 2010. His experience also includes time at Entergy Louisiana, Entergy Nuclear South, Energy Northwest and the Tennessee Valley Authority.

ANNE F. MERSEREAU Vice President, Human Resources, Diversity and Inclusion, age 54.

Appointed to current position on January 4, 2016. Served as Employee Services Manager for Human Resources from January 2014 until appointed to current position. As Employee Services Manager, she led Human Resources Operations, including Systems Reporting and Analytics, Payroll, Human Resources Service Center, and Health Services. Served as Consultant to Change Management from January 2012 to January 2014 and as Human Resources Business Partner from July 2009 to December 2011. Prior to joining PGE, served as Senior Consultant for Waldron, a global human resources consulting firm, from December 2008 to July 2009 and held various positions with Marsh USA from January 2000 to October 2006, most recently as Managing Director and U.S. Region Human Resources Director.

W. DAVID ROBERTSON Vice President, Public Policy and Corporate Resiliency, age 50.

Appointed to current position on August 1, 2009. Served as Director of Government Affairs from June 2004 until appointed to current position.

KRISTIN A. STATHIS Vice President, Customer Service Operations, age 53.

Appointed to current position on June 1, 2011. Served as general manager of Revenue Operations from August 2009 until May 2011. Served as assistant treasurer and manager of Corporate Finance from October 2005 until July 2009. Served as general manager of Power Supply Risk Management from August 2003 until September 2005.

CORPORATE GOVERNANCE

Our Board of Directors has implemented a corporate governance program, including the adoption of charters for our Audit Committee, Compensation and Human Resources Committee, Nominating and Corporate Governance Committee and Finance Committee; Corporate Governance Guidelines (including Categorical Standards for Determination of Director Independence); a Process for Handling Communications to the Board of Directors and Board Committees; a Code of Business Ethics and Conduct; and a Code of Ethics for Chief Executive and Senior Financial Officers. These documents are published under the “Corporate Governance” section of our website at investors.portlandgeneral.com and are available in print to shareholders, without charge, upon request to Portland General Electric Company at its principal executive offices at 121 SW Salmon Street, 1WTC1301, Portland, Oregon 97204, Attention: Corporate Secretary.

Board of Directors

Our business, property and affairs are managed under the direction of our Board of Directors. Members of the board are kept informed of our business by consulting with our Chief Executive Officer and other officers and senior management, by reviewing and approving capital and operating plans and budgets and other materials provided to them, by visiting our offices and plants and by participating in meetings of the board and its committees.

During 2016, the Board of Directors met five times. During 2016, each director attended at least 75% of the aggregate of the meetings of the Board of Directors and meetings held by all committees on which the director served, except for Mr. Ballantine, who attended 71% of the aggregate of such meetings. Under our Corporate Governance Guidelines, the non-management directors must meet in executive session without management at least quarterly. The Chairman of the board (or if the Chairman is not an independent director, the lead independent director) presides over these executive sessions. The non-management directors met in executive session four times in 2016, generally at the end of each regular quarterly board meeting. In the event that the non-management directors include directors who are not independent under the New York Stock Exchange listing standards, our Corporate Governance Guidelines require the independent directors to meet separately in executive session at least once a year. Throughout 2016, all of our non-management directors were independent under the New York Stock Exchange listing standards. Accordingly, the four meetings of our non-management directors in 2016 also constituted meetings of our independent directors.

It is our policy that directors are expected to attend the annual meeting of shareholders. A director who is unable to attend the annual meeting of shareholders (which it is understood may occur on occasion) is expected to notify the Chairman of the board. At the time of the 2016 annual meeting of shareholders, we had 11 directors. Ten of our directors attended the 2016 annual meeting of shareholders. Mr. Ballantine was unable to attend.

BOARD LEADERSHIP STRUCTURE

We separate the roles of Chief Executive Officer and Chairman of the board in recognition of the differences between the two roles. The Chief Executive Officer is responsible for setting the strategic direction for the company and the day-to-day leadership and performance of the company. The Chairman of the board provides leadership to the board in exercising its role of providing advice to, and independent oversight of, management. The Chairman of the board also provides leadership in defining the board’s structure and activities in the fulfillment of its responsibilities, provides guidance to the Chief Executive Officer, sets the board meeting agendas with board and management input, and presides over meetings of the Board of Directors and meetings of shareholders. The board recognizes the significant time, effort and energy that the Chief Executive Officer is required to devote to his position in the current business environment. The board also recognizes the significant commitment that is required from the Chairman, particularly as the board’s oversight responsibilities continue to grow. While our bylaws and Corporate Governance Guidelines do not require that our Chairman and Chief Executive Officer positions be separate, the board believes that having separate positions and having an independent outside director serve as Chairman is the appropriate leadership structure for the company at this time and demonstrates our commitment to good corporate governance. Jack E. Davis, our current Chairman, is an independent director as defined in the New York Stock Exchange listing standards and the company’s Categorical Standards for Determination of Director Independence.

BOARD OVERSIGHT OF RISK

Management is responsible for the day-to-day management of risks the company faces, while the board, as a whole and through its committees, has responsibility for the oversight of risk management. The board’s role in the company’s

risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the company, including operational, financial, legal, regulatory and strategic risks. These reports help the board understand the company's risk identification, risk management and risk mitigation strategies and processes.

While the board has ultimate responsibility for oversight of the risk management process, various committees of the board assist the board in fulfilling its oversight responsibilities for certain areas of risk. The Audit Committee oversees risk management in the areas of financial reporting, internal controls and compliance with legal and regulatory requirements and reviews quarterly

reports from the company's Corporate Compliance Committee. In addition, the Audit Committee assists the board in fulfilling its responsibility for oversight of the risk management process by reviewing periodic reports on the guidelines and policies governing the process by which the company assesses and manages its exposure to risk and discussing the company's major risk exposures and the steps management has taken to monitor and control such exposures. The Compensation and Human Resources Committee assists the board in fulfilling its oversight responsibilities with respect to the management of risks arising from the company's compensation policies and programs. The Nominating and Corporate Governance Committee assists the board in fulfilling its oversight responsibilities with respect to the management of risks associated with board organization, membership and structure, succession planning for directors, and corporate governance. The Finance Committee assists the board in fulfilling its oversight responsibilities with respect to the management of risks associated with the company's power operations, capital projects, finance activities, credit and liquidity.

SELECTION OF CANDIDATES FOR BOARD MEMBERSHIP

The Nominating and Corporate Governance Committee is responsible for identifying, screening and recommending candidates to the board for election as directors. The committee seeks candidates with the qualifications and areas of expertise that will enhance the composition of the board. The committee does not have a formal policy with respect to the consideration of diversity in identifying director nominees, but believes it is important that the board represent a diversity of backgrounds, experience, gender and race. The committee considers a number of criteria in selecting nominees, including:

- Demonstration of significant accomplishment in the nominee's field;
- Ability to make a meaningful contribution to the board's oversight of the business and affairs of the company;
- Reputation for honesty and ethical conduct in the nominee's personal and professional activities;
- Relevant background and knowledge in the utility industry;
- Experience and skills in areas important to the operation of the company; and
- Business judgment, time availability, including the number of other boards of public companies on which a nominee serves, and potential conflicts of interest.

The Nominating and Corporate Governance Committee will consider director candidates recommended by shareholders. In considering candidates recommended by shareholders, the committee will take into consideration the needs of the board and the qualifications of the candidate. To have a candidate considered by the Nominating and Corporate Governance Committee, a shareholder must submit the recommendation in writing and must include the following information:

• The shareholder's name and evidence of ownership of PGE common stock, including the number of shares owned and the length of time of ownership; and

• The candidate's name, resume or listing of qualifications to be a director and consent to be named as a director if selected by the Nominating and Corporate Governance Committee and nominated by the board.

The shareholder recommendation and information described above must be sent to the Chairman of the Nominating and Corporate Governance Committee, in care of our Corporate Secretary, at Portland General Electric Company, 121 SW Salmon Street, 1WTC1301, Portland, Oregon 97204.

The Nominating and Corporate Governance Committee retains an outside search firm to assist the committee members in identifying and evaluating potential nominees for the board. The committee also identifies potential nominees by asking current directors and executive officers to notify the committee if they become aware of persons meeting the criteria described above who might be available to serve on the board, especially business and civic leaders in the communities in our service area. As described above, the committee will also consider candidates recommended by shareholders.

Once a person has been identified by the Nominating and Corporate Governance Committee as a potential candidate, the committee may collect and review publicly available information to assess whether the person should be considered further. If the committee determines that the person warrants further consideration, the committee chair or another member of the committee will contact the person. Generally, if the person expresses a willingness to be a candidate and to serve on the board, the Nominating and Corporate Governance Committee may request information from the candidate, review the candidate's accomplishments and qualifications and compare them to the

accomplishments and qualifications of any other candidates that the committee might be considering. The committee may also choose to conduct one or more interviews with the candidate. In certain instances, committee members may contact references provided by the candidate or may contact other members of the business community or other persons who may have greater first-hand knowledge of the candidate's accomplishments. The committee's evaluation process does not vary based on whether a candidate is recommended by a shareholder.

Non-Employee Director Compensation

The following table describes the compensation earned by persons who served as non-employee directors during any part of 2016.

2016 DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash(1)	Stock Awards (2)	All Other Compensation(3)	Total
John W. Ballantine	\$ 88,500	\$ 84,994	\$ 1,637	\$ 175,131
Rodney L. Brown, Jr.	81,000	84,994	1,637	167,631
Jack E. Davis	138,000	84,994	1,637	224,631
David A. Dietzler	81,000	84,994	1,637	167,631
Kirby A. Dyess	92,250	84,994	1,637	178,881
Mark B. Ganz	81,000	84,994	1,637	167,631
Kathryn J. Jackson	81,000	84,994	1,637	167,631
Neil J. Nelson	96,000	84,994	1,637	182,631
M. Lee Pelton	88,500	84,994	1,637	175,131
Charles W. Shivery	81,000	84,994	1,637	167,631

(1) Amounts in this column include cash retainers, meeting fees and chair fees.

(2) These amounts represent the grant date fair value of restricted stock unit grants made in 2016, the terms of which are discussed below in the section entitled "Restricted Stock Unit Grants." The annual equity grants (with a grant date fair value of \$84,994) were made on May 4, 2016 in respect of services to be performed during the ensuing 12-month period.

This column represents amounts earned in respect of dividend equivalent rights under restricted stock unit awards.

(3) See the discussion below under "Restricted Stock Unit Grants." The value of the dividend equivalent rights was not incorporated into the "Stock Awards" column.

Current Compensation Arrangements for Non-Employee Directors

The following table describes the current compensation arrangements with our non-employee directors:

Annual Cash Retainer Fees

Annual Cash Retainer Fee for Directors	\$45,000
Additional Annual Cash Retainer Fee for Chairman of the Board	75,000
Additional Annual Cash Retainer Fee for Audit Committee Chair	15,000
Additional Annual Cash Retainer Fee for Compensation and Human Resources Committee Chair	11,250
Additional Annual Cash Retainer Fee for Other Committee Chairs	7,500
Annual Committee Service Fee (per committee)	18,000
Value of Annual Grant of Restricted Stock Units	85,000

The annual cash retainers and the annual committee service fee are paid quarterly in arrears. We will also reimburse certain expenses related to the directors' service on the board, including expenses in connection with attendance at board and committee meetings.

Restricted Stock Unit Grants

Each of our non-employee directors receives an annual grant of restricted stock units. The number of restricted stock units each director receives is determined by dividing \$85,000 by the closing price of PGE common stock on the date of grant. These grants are typically made on or around the date of our annual meeting of shareholders.

Each restricted stock unit represents the right to receive one share of common stock at a future date. Provided that the director remains a member of the board, the restricted stock units will vest over a one-year vesting period in equal installments on the last day of each calendar quarter and will be settled exclusively in shares of common stock.

Restricted stock units do not have voting rights with respect to the underlying common stock until the units vest and the common stock is issued.

Each director also is granted one dividend equivalent right with respect to each restricted stock unit. Each dividend equivalent right represents the right to receive an amount equal to the dividends that are paid on one share of common

stock and that have a record date between the grant date and vesting date of the related restricted stock unit. The dividend equivalent rights will be settled exclusively in cash on the date that the related dividends are paid to holders of common stock.

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The grants of restricted stock units and dividend equivalent rights are made pursuant to the terms of the Portland General Electric Company 2006 Stock Incentive Plan. The grants are subject to the terms and conditions of the plan and agreements between PGE and each director.

Stock Ownership Requirements for Non-Employee Directors

Our Corporate Governance Guidelines require each non-employee director to own shares of PGE common stock with a value equal to at least three times the value of the annual equity grant to non-employee directors. Non-employee directors must meet this requirement within five years following the first annual meeting at which they are elected. All of our directors either meet the stock ownership requirement or are on track to do so by the applicable target date. Our stock ownership policy for executive officers is described on pages 35 to 36 of this proxy statement.

Outside Directors' Deferred Compensation Plan

The company maintains the Portland General Electric Company 2006 Outside Directors' Deferred Compensation Plan to provide directors with the opportunity to defer payment of compensation for their board service. Directors may defer fees and retainers, as well as any other form of cash remuneration. Deferral elections must be made no later than December 15 of the taxable year preceding the year in which the compensation is earned. Deferrals accumulate in an account that earns interest at a rate that is one-half a percentage point higher than the Moody's Average Corporate Bond rate. Benefit payments under the plan may be made in a lump sum or in monthly installments over a maximum of 180 months.

Director Independence

For a director to be considered independent under the New York Stock Exchange corporate governance listing standards, the Board of Directors must affirmatively determine that the director does not have any direct or indirect material relationship with the company, including any of the relationships specifically proscribed by the New York Stock Exchange independence standards. The board considers all relevant facts and circumstances in making its independence determinations. Only independent directors may serve on our Audit Committee, Compensation and Human Resources Committee, and Nominating and Corporate Governance Committee.

In addition to complying with New York Stock Exchange independence standards, our Board of Directors has adopted a formal set of categorical standards with respect to the determination of director independence. Under our Categorical Standards for Determination of Director Independence, a director must be determined to have no material relationship with the company other than as a director. These standards specify the criteria by which the independence of our directors will be determined, including guidelines for directors and their immediate families with respect to past employment or affiliation with the company, its customers or its independent registered public accounting firm. The standards also restrict commercial and not-for-profit relationships with the company, and prohibit Audit Committee members from having any accounting, consulting, legal, investment banking or financial advisory relationships with the company. Directors may not be given personal loans or extensions of credit by the company, and all directors are required to deal at arm's length with the company and its subsidiaries, and to disclose any circumstance that may result in the director no longer being considered independent. The full text of our Categorical Standards for Determination of Director Independence is published as an addendum to our Corporate Governance Guidelines, which are available under the "Corporate Governance" section of our website at investors.portlandgeneral.com.

During its review of director independence, the board considered whether there were any transactions or relationships between the company and any director or any member of his or her immediate family (or any entity of which a director or an immediate family member is an executive officer, general partner or significant equity holder). As part of its review of director independence, the board considered Mark B. Ganz' position as President and Chief Executive Officer and a director of Cambia Health Solutions, Inc. ("CHS") and CHS' business relationship with the company during the last three fiscal years. PGE and Local Union No. 125 of the International Brotherhood of Electrical Workers have established a trust that is partly funded by PGE to provide health and welfare benefits to employees and retirees who are covered by one of the collective bargaining agreements between PGE and the union. By action of the Board of Trustees that administers the trust, the trust engaged Regence BlueCross BlueShield of Oregon, a subsidiary of CHS, to provide health products and services. The board also considered whether there were charitable contributions to not-for-profit organizations for which a director or an immediate family member of a director serves as a board member or executive officer. In addition, the board considered that in the ordinary course of our business

we provide electricity to some directors and entities with which they are affiliated on the same terms and conditions as provided to other customers of the company.

As a result of this review, the board affirmatively determined that the following directors nominated for election at the annual meeting are independent under the New York Stock Exchange listing standards and our independence standards: John W. Ballantine, Rodney L. Brown, Jr., Jack E. Davis, David A. Dietzler, Kirby A. Dyess, Mark B. Ganz, Kathryn J. Jackson, Neil J. Nelson, M. Lee Pelton and Charles W. Shivery.

The board determined that James J. Piro is not independent because of his employment as the company's President and Chief Executive Officer.

Board Committees

The Board of Directors has four standing committees: the Audit Committee, the Nominating and Corporate Governance Committee, the Compensation and Human Resources Committee and the Finance Committee. Current copies of the charters for each of these committees are available under the “Corporate Governance” section of our website at investors.portlandgeneral.com. The Board of Directors has determined that each of the Audit Committee, the Nominating and Corporate Governance Committee and the Compensation and Human Resources Committee is comprised solely of independent directors in accordance with the New York Stock Exchange listing standards. The table below provides membership information for each of the committees as of March 16, 2017.

Name	Audit Committee	Nominating and Corporate Governance Committee	Compensation and Human Resources Committee	Finance Committee
John W. Ballantine			ü	Chair
Rodney L. Brown, Jr.		ü		ü
Jack E. Davis		ü		
David A. Dietzler	ü	ü		
Kirby A. Dyess	ü		Chair	
Mark B. Ganz	ü		ü	
Kathryn J. Jackson			ü	ü
Neil J. Nelson	Chair		ü	
M. Lee Pelton		Chair		ü
Charles W. Shivery	ü			ü

AUDIT COMMITTEE

The Audit Committee met four times in 2016. Under the terms of its charter, the Audit Committee must meet at least once each quarter. The committee regularly meets separately with management, our internal auditor and our independent registered public accounting firm. The responsibilities of the committee include:

- Retaining our independent registered public accounting firm;
- Evaluating the qualifications, independence and performance of our independent registered public accounting firm;
- Overseeing matters involving accounting, auditing, financial reporting and internal control functions, including the integrity of our financial statements and internal controls;
- Approving audit and permissible non-audit service engagements to be undertaken by our independent registered public accounting firm through the pre-approval policies and procedures adopted by the committee;
- Reviewing the performance of our internal audit function;
- Reviewing the company’s annual and quarterly financial statements and the company’s disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our reports on Forms 10-K and 10-Q and recommending to the Board of Directors whether the financial statements should be included in the annual report on Form 10-K; and

- Assisting the board in fulfilling its responsibility to oversee our risk management program.

The committee has the authority to secure independent expert advice to the extent the committee determines it to be appropriate, including retaining independent counsel, accountants, consultants or others, to assist the committee in fulfilling its duties and responsibilities.

The Board of Directors has determined that Mr. Dietzler, Mr. Nelson and Mr. Shivery are “audit committee financial experts” as that term is defined under rules of the Securities and Exchange Commission.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

The Nominating and Corporate Governance Committee met two times in 2016. Under the terms of its charter, the committee must meet at least two times annually. The responsibilities of the committee include:

- Identifying and recommending to the board individuals qualified to serve as directors and on committees of the board;
- Advising the board with respect to board and committee composition and procedures;

- Developing and recommending to the board a set of corporate governance guidelines and reviewing such guidelines at least annually;

- Reviewing the succession plans for the Chief Executive Officer and senior officers either as a committee, or together with the full board; and

- Overseeing the self-evaluation of the board and coordinating the evaluations of the board committees.

The committee may retain search firms to identify director candidates, and has the sole authority to approve the search firm's fees and other retention terms. The committee also may retain independent counsel or other consultants or advisers as it deems necessary to assist in its duties to the company.

COMPENSATION AND HUMAN RESOURCES COMMITTEE

The Compensation and Human Resources Committee met five times in 2016. Under the terms of its charter, the committee must meet at least two times annually. The responsibilities of the committee include:

- Together with the other independent directors, evaluating annually the performance of the Chief Executive Officer in light of the goals and objectives of our executive compensation plans, both generally and with respect to approved performance goals;

- Evaluating annually the performance of the other executive officers in light of the goals and objectives applicable to such executive officers, which may include requesting that the Chief Executive Officer provide performance evaluations for such executive officers and recommendations with respect to the compensation of such executive officers (including long-term incentive compensation);

- Together with the other independent directors, determining and approving the compensation of the Chief Executive Officer in light of the evaluation of the Chief Executive Officer's performance;

- Determining and approving the compensation of the other executive officers in light of the evaluation of such officers' performance;

- Reviewing and approving, or recommending approval of, perquisites and other personal benefits to our executive officers;

- Reviewing and recommending the appropriate level of compensation for board and committee service by non-employee members of the board;

- Reviewing our executive compensation plans and programs annually and approving or recommending to the board new compensation plans and programs or amendments to existing plans and programs; and

- Reviewing and approving any severance or termination arrangements to be made with any executive officer.

Under its charter, the committee has authority to retain compensation consultants to assist the committee in carrying out its responsibilities, including sole authority to approve the consultants' fees and other retention terms. The committee has engaged Frederic W. Cook & Co., Inc. ("F.W. Cook") to advise it on matters related to executive compensation.

The committee is supported in its work by members of our Compensation and Benefits Department. The formal role of our executive officers in determining executive compensation is limited to the responsibility of the Chief Executive Officer to provide the committee with a self-evaluation, as well as an evaluation of the performance of the other executive officers. The committee may also seek input from our executive officers in developing an overall compensation philosophy and in making decisions about specific pay components.

The committee has authority to conduct or authorize investigations or studies of matters within the committee's scope of responsibilities, and to retain independent counsel or other consultants or advisers as it deems necessary to assist it in those matters. To the extent permitted by applicable law, regulation or the New York Stock Exchange listing standards, the committee may form subcommittees and delegate to the subcommittees, or to the committee chairperson individually, such power and authority as the committee deems appropriate.

FINANCE COMMITTEE

The Finance Committee met four times in 2016. Under the terms of its charter, the committee meets as often as it determines necessary to carry out its duties and responsibilities, but no less frequently than annually. The responsibilities of the committee include:

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Reviewing and recommending to the board financing plans, and annual capital and operating budgets, proposed by management;

• Reviewing, and approving or recommending, certain costs for projects, initiatives, transactions and other activities within the ordinary business of the company;

• Reviewing our capital and debt structure, approving or recommending to the board the issuance of secured and unsecured debt, and recommending to the board the issuance of equity;

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Reviewing and recommending to the board dividends, including changes in dividend amounts, dividend payout goals and objectives;

Reviewing earnings forecasts;

Assisting the board in fulfilling its oversight responsibilities with respect to the management of risks associated with the company's power operations, capital projects, finance activities, credit and liquidity;

Reviewing and recommending to the board investment policies and guidelines and the use of derivative securities to mitigate financial and foreign currency exchange risk; and

Overseeing the control and management of benefit plan assets and investments.

Policies on Business Ethics and Conduct

All of our directors, officers and employees are required to abide by our Code of Business Ethics and Conduct. This code of ethics covers all areas of professional conduct, including conflicts of interest, unfair or unethical use of corporate opportunities, protection of confidential information, compliance with all applicable laws and regulations, and oversight and compliance. Our Chief Executive Officer, Chief Financial Officer and Controller are also required to abide by the Code of Ethics for Chief Executive and Senior Financial Officers. These ethics codes form the foundation of a comprehensive program of compliance with our Guiding Behaviors - Be Accountable, Earn Trust, Dignify People, Make the Right Thing Happen, Positive Attitude and Team Behavior - and all corporate policies and procedures to ensure that our business is conducted ethically and in strict adherence to all laws and regulations applicable to us. Employees are responsible for reporting any violation, including situations or matters that may be considered to be unethical or a conflict of interest under the ethics codes.

The full texts of both the Code of Business Ethics and Conduct and the Code of Ethics for Chief Executive and Senior Financial Officers are available under the "Corporate Governance" section of our website at investors.portlandgeneral.com or in print to shareholders, without charge, upon request to Portland General Electric Company, 121 SW Salmon Street, 1WTC1301, Portland, Oregon 97204, Attention: Corporate Secretary. Any future amendments to either of these codes, and any waiver of the Code of Ethics for Chief Executive and Senior Financial Officers, and of certain provisions of the Code of Business Ethics and Conduct for directors, executive officers or our Controller, will be disclosed to our shareholders to the extent required by law.

As required by New York Stock Exchange rules, our audit committee has procedures in place regarding the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters and allowing for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. In addition, we have a Policy Regarding Compliance with Securities and Exchange Commission Attorney Conduct Rules that requires all of our lawyers to report to the appropriate persons at the company evidence of any actual, potential or suspected material violation of state or federal law or breach of fiduciary duty by the company or any of its directors, officers, employees or agents.

Certain Relationships and Related Persons Transactions

We do not have a separate written policy or procedures for the review, approval or ratification of transactions with related persons. However, our Corporate Governance Guidelines, our Code of Business Ethics and Conduct and our Conflict of Interest Policy address conflicts of interest and relationships with PGE. In its consideration of nominees for the Board of Directors, the Nominating and Corporate Governance Committee examines possible related person transactions as part of its review. The Board of Directors annually reviews the relationship that each director has with PGE, which includes relationships with our officers and employees, our auditors and our customers. Our Code of Business Ethics and Conduct requires any person, including our directors and officers, to report any violation of the code or any situation or matters that may be considered to be unethical or a conflict of interest. Any potential conflict of interest under the code involving a director, an executive officer or our Controller is reviewed by the Audit Committee. Only the Audit Committee may waive a conflict of interest involving a director, an executive officer or our Controller, which will be promptly disclosed to our shareholders to the extent required by law.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation and Human Resources Committee during 2016 were John W. Ballantine, Kirby A. Dyess, Mark B. Ganz, Kathryn J. Jackson and Neil J. Nelson. All members of the committee during 2016 were independent directors and no member was an employee or former employee. During 2016, none of our executive

officers served on the compensation committee (or its equivalent) or board of directors of another entity whose executive officer served on our Compensation and Human Resources Committee or Board of Directors.

EQUITY COMPENSATION PLANS

The following table provides information as of December 31, 2016 for the Portland General Electric Company 2006 Stock Incentive Plan and the Portland General Electric Company 2007 Employee Stock Purchase Plan. The 2006 Stock Incentive Plan was amended and restated as of October 24, 2007 and was originally approved by the shareholders on May 7, 2008 at the company's 2008 annual meeting of shareholders. The 2007 Employee Stock Purchase Plan was approved by the shareholders on May 2, 2007 at the company's 2007 annual meeting of shareholders.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity Compensation Plans approved by security holders	712,996(1)	N/A	3,421,136(2)(3)
Equity Compensation Plans not approved by security holders	N/A	N/A	N/A
Total	712,996(1)	N/A	3,421,136(2)(3)

Represents outstanding restricted stock units and related dividend equivalent rights issued under the 2006 Stock Incentive Plan, and assumes maximum payout for restricted stock units with performance-based vesting conditions.

(1) The restricted stock units do not have an exercise price and are issued when award criteria are satisfied. See "Non-Employee Director Compensation - Restricted Stock Unit Grants" above and "Long-Term Equity Incentive Awards" below for further information regarding the 2006 Stock Incentive Plan.

(2) Represents shares remaining available for issuance under the 2006 Stock Incentive Plan and the 2007 Employee Stock Purchase Plan.

(3) Includes approximately 15,000 shares available for future issuance under the 2007 Employee Stock Purchase Plan that are subject to purchase in the purchase period from January 1, 2017 to June 30, 2017. The number of shares subject to purchase during any purchase period depends on the number of current participants and the price of the common stock on the date of purchase.

AUDIT COMMITTEE REPORT

The Audit Committee provides assistance to the Board of Directors in fulfilling its obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the company and its subsidiaries. Management is responsible for the company's internal controls and the financial reporting process, including the integrity and objectivity of the company's financial statements. The company's independent registered public accounting firm, Deloitte & Touche LLP ("Deloitte"), is responsible for performing an independent audit of the company's financial statements, expressing an opinion as to the conformity of the annual financial statements with generally accepted accounting principles, expressing an opinion as to the effectiveness of the company's internal control over financial reporting and reviewing the company's quarterly financial statements.

The committee has met and held discussions with management and Deloitte regarding the fair and complete presentation of the company's financial results and the effectiveness of the company's internal control over financial reporting. The committee has discussed with Deloitte significant accounting policies that the company applies in its financial statements, as well as alternative treatments. The committee also discussed with the company's internal auditor and Deloitte the overall scope and plans for their respective audits.

Management represented to the committee that the company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the committee has

reviewed and discussed the consolidated financial statements with management and Deloitte. The committee has discussed with Deloitte the matters required to be discussed under the applicable rules adopted by the Public Company Accounting Oversight Board.

The committee has reviewed and discussed with Deloitte all communications required by generally accepted auditing standards. In addition, the committee has received the written disclosures and the letter regarding independence from Deloitte, as required by applicable requirements of the Public Company Accounting Oversight Board, and has discussed such information with Deloitte.

Based upon the review, discussions and representations referenced above, the committee recommended to the Board of Directors that the audited consolidated financial statements be included in the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 for filing with the Securities and Exchange Commission.

The committee has appointed Deloitte as the company's independent registered public accounting firm for fiscal year 2017.

Audit Committee
Neil J. Nelson, Chair
David A. Dietzler
Kirby A. Dyess
Mark B. Ganz
Charles W. Shivery

February 14, 2017

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The aggregate fees billed by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates, for 2016 and 2015 were as follows:

	2016	2015
Audit Fees(1)	\$1,625,000	\$1,555,000
Audit-Related Fees(2)	79,564	57,000
Tax Fees(3)	—	—
All Other Fees(4)	5,700	5,300
Total	\$1,710,264	\$1,617,300

(1) For professional services rendered for the audit of our consolidated financial statements for the fiscal years ended December 31, 2016 and 2015 and for the review of the interim consolidated financial statements included in quarterly reports on Form 10-Q. Audit Fees also include services normally provided in connection with statutory and regulatory filings or engagements, assistance with and review of documents filed with the Securities and Exchange Commission, the issuance of consents and comfort letters, as well as the independent auditor's report on the effectiveness of internal control over financial reporting.

(2) For assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements not reported under "Audit Fees" above, including attest services that are not required by statute or regulation, consultations concerning financial accounting and reporting standards, and audits of the statements of activities of jointly owned facilities. Also includes amounts reimbursed to PGE in connection with cost sharing arrangements for certain services.

(3) For professional tax services, including consulting and review of tax returns.

(4) For all other products and services not included in the above three categories, including reference products related to income taxes and financial accounting matters.

PRE-APPROVAL POLICY FOR INDEPENDENT AUDITOR SERVICES

The Audit Committee must separately pre-approve the engagement of the independent registered public accounting firm to audit our consolidated financial statements. Prior to the engagement, the Audit Committee reviews and approves a list of services, including estimated fees, expected to be rendered during that year by the independent registered public accounting firm.

In addition, the Audit Committee requires pre-approval of all audit and permissible non-audit services provided by the company's independent auditors, pursuant to a pre-approval policy adopted by the committee. The term of pre-approval is 12 months, unless the Audit Committee specifically provides for a different period. A detailed written description of the specific audit, audit-related, tax and other services that have been pre-approved, including specific monetary limits, is required. The Audit Committee may also pre-approve particular services and fees on a case-by-case basis. Management and the independent auditors are required to report at least quarterly to the Audit Committee regarding the actual services, and fees paid for such services, compared to the services and fees that were pre-approved in accordance with this policy.

All audit and permissible non-audit services provided by the independent auditors during 2016 and 2015 were pre-approved by the Audit Committee.

PROPOSAL 1: ELECTION OF DIRECTORS

Board of Directors

The board has nominated all of the 11 current directors for re-election as directors. The nominees are:

John W. Ballantine, Rodney L. Brown, Jr., Jack E. Davis, David A. Dietzler, Kirby A. Dyess, Mark B. Ganz, Kathryn J. Jackson, Neil J. Nelson, M. Lee Pelton, James J. Piro and Charles W. Shivery. This slate of nominees satisfies the New York Stock Exchange listing standards for board composition and majority director independence. See the section above entitled "Corporate Governance - Director Independence" for further details regarding director independence.

All of our directors are elected annually by shareholders. Directors hold office until their successors are elected and qualified, or until their earlier death, resignation or removal. Our bylaws provide that the Board of Directors may determine the size of the board. Effective April 26, 2014, the board has set the size of the board at 11 directors. At the annual meeting, proxies cannot be voted for a greater number of individuals than the number of nominees named in this proxy statement.

All of the nominees have agreed to serve if elected. If any director is unable to stand for election, the board may reduce the number of directors or designate a substitute. If the board designates a substitute, shares represented by proxies will be voted for the substitute director. We do not expect that any nominee will be unavailable or unwilling to serve.

Director Nominees

In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led our board to the conclusion that he or she should serve as a director, we also believe that all of our director nominees have a reputation for integrity, honesty and adherence to high ethical standards. They each have demonstrated an ability to exercise sound judgment, as well as a commitment of service to the company and the board. John W. Ballantine, age 71, director since February 2004; Chairman of the Finance Committee and member of the Compensation and Human Resources Committee.

Mr. Ballantine