

## MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (this “MOU”) is entered into as of July 22, 2010 (the “Effective Date”), by and between PacifiCorp, an Oregon corporation (“PacifiCorp”), and Portland General Electric Company, an Oregon corporation (“PGE”). PacifiCorp and PGE are sometimes referred to in this MOU individually as a “Party” and, collectively, as the “Parties”.

### RECITALS

- A. PacifiCorp owns and operates facilities for the transmission of electric power and energy in interstate commerce (“PacifiCorp Transmission System”).
- B. PGE owns and operates facilities for the transmission of electric power and energy in interstate commerce (“PGE Transmission System”; each of the PacifiCorp Transmission System and the PGE Transmission System, a “Transmission System” and, collectively, the “Transmission Systems”).
- C. Each of PacifiCorp and PGE has an independent obligation pursuant to their respective Open Access Transmission Tariff to plan for and expand their respective Transmission System based upon the needs of their native load customers, network customers, and eligible customers that agree to expand the Transmission System.
- D. PGE has developed an integrated resource plan for service to its native load customers, and received network load and resource forecasts from its network customers that collectively demonstrate the need to evaluate expansion of PGE’s Transmission System.
- E. PacifiCorp has developed an integrated resource plan for service to its native load customers, and received network load and resource forecasts from its network customers that collectively demonstrate the need to evaluate expansion of PacifiCorp’s Transmission System.
- F. The Parties are committed to the development of transmission facilities to fulfill their service obligations and to operate reliable Transmission Systems.
- G. The Parties are also committed to engaging potential stakeholders in this development process through the Northern Tier Transmission Group’s planning workgroup and other appropriate forums.
- H. The Parties desire to consider whether to (i) jointly develop, construct and own new transmission projects in Oregon, including, but not limited to, the Cascade Crossing Project (as more fully described in Exhibit A, the “Project”), and (ii) negotiate and agree upon certain transmission arrangements pursuant to definitive agreements mutually satisfactory to the Parties (as more fully described in Exhibit A, the “Definitive Agreements”).

I. The Parties are entering into this MOU to set forth a process by which the Parties will engage in discussions concerning the terms and conditions of the Definitive Agreements.

NOW THEREFORE, in consideration of the mutual covenants contained herein, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Effective Date; Term.

- (a) This MOU shall become effective on the Effective Date.
- (b) The term of this MOU shall commence on the Effective Date and shall terminate upon the earliest date to occur of the following (the "Termination Date"):
  - (i) The date that each of the Parties executes and delivers each of the Definitive Agreements;
  - (ii) The date that either Party provides notice to the other Party that it has decided, in its sole and absolute discretion, not to proceed with the Definitive Agreements; or
  - (iii) The Parties fail to execute and deliver the Definitive Agreements on or before December 31, 2010, as such date may be extended by mutual written agreement of the Parties (the "Target Date").
- (c) This MOU shall automatically terminate on the Termination Date and shall have no further force or effect, provided that the rights and obligations set forth in Sections 4, 5, 6(g) and (h) and 7 shall survive the termination of this MOU and remain in full force and effect.

2. Negotiate Terms of Definitive Agreements.

- (a) During the term of this MOU, both Parties shall proceed diligently and in good faith to attempt to negotiate mutually satisfactory terms of the Definitive Agreements and all such other agreements and documents necessary to fully document the transactions contemplated by the Project and the Definitive Agreements by no later than the Target Date.
- (b) Each Party shall select a senior-level representative (each, a "Representative") to be responsible for coordinating such Party's activities under this MOU. Each Party commits to provide its Representative with the support and resources necessary to further the purposes of this MOU. In no event shall the Representatives be permitted to amend the terms of this MOU, other than in accordance with Section 6(b).

(c) Based on the information currently known to the Parties, it is proposed that the Definitive Agreements would include the terms and conditions set forth in the Term Sheet attached hereto as Exhibit A (the “Term Sheet”). The Term Sheet sets forth the Parties’ current general understanding with respect to certain provisions of the Definitive Agreements, but is not intended to represent a binding agreement or final contractual language, or to address every provision which the Parties may wish to incorporate into the Definitive Agreements. In addition and notwithstanding the foregoing, instead of the structure and agreements contemplated by Exhibit A, the Parties may choose to jointly develop, construct, own and /or operate the Project through different structures pursuant to alternative agreements.

3. Nature of MOU. Neither this MOU nor the Term Sheet is intended to include all of the essential terms of the transactions contemplated by this MOU (which will only be contained in the Definitive Agreements) and, accordingly, neither this MOU nor the Term Sheet is intended to be a complete and binding agreement as to the terms of the Definitive Agreements and the transactions contemplated thereby. No binding agreement will exist between the Parties with respect to the transactions to be included in the Definitive Agreements unless and until the Parties execute and deliver the Definitive Agreements. Notwithstanding the foregoing, the Parties intend for Sections 4, 5, 6 and 7 of this MOU to be binding on the Parties as of the Effective Date.

4. Confidentiality. All information exchanged in connection with this MOU (but not this MOU) shall constitute “Confidential Information” subject to the terms and conditions of that certain Confidentiality and Non-Disclosure Agreement, dated as of May 6, 2010, between the Parties (the “Confidentiality Agreement”), the provisions of which are incorporated herein by reference. The Parties may mutually agree to post information related to this MOU on their respective OASIS sites for public disclosure.

5. Limitation of Liability; Indemnity.

(a) Each of the Parties acknowledges and agrees that: (i) the other Party’s decision to proceed with the Definitive Agreements, and the decision to proceed with the Project, and any other decision with respect to the Definitive Agreements or the Project, is within the other Party’s sole and absolute discretion and that the other Party may terminate this MOU at any time for any reason whatsoever or for no reason; and (ii) the other Party shall not be liable to it for any claim, loss, cost, liability, damage or expense, including any direct damage or any special, indirect, exemplary, punitive, incidental or consequential loss or damage (including any loss of revenue, income, profits or investment opportunities or claims of third party customers), arising out of or directly or indirectly related to the other Party’s decision to terminate this MOU, the other Party’s performance under this MOU, or any other decision with respect to proceeding or not proceeding with the Definitive Agreements or the Project.

(b) The rights and obligations under this Section 5 shall survive the expiration and termination of this MOU (but shall be superseded by, and of no further force and effect upon the execution of, the Definitive Agreements).

6. General Provisions.

- (a) This MOU represents the entire agreement between the Parties and supersedes any prior written or oral agreements or understandings between the Parties relating to the subject matter of this MOU, provided that nothing in this MOU shall limit, repeal, or in any manner modify the existing legal rights, privileges, and duties of each of the Parties as provided by agreement (including the Confidentiality Agreement), statute or any other law or applicable court or regulatory decision.
- (b) This MOU may not be amended except in writing signed by both of the Parties.
- (c) Any waiver on the part of a Party to this MOU of any provision or condition of this MOU must be in writing signed by each Party to be bound by such waiver, shall be effective only to the extent specifically set forth in such writing and shall not limit or affect any rights with respect to any other or future circumstance.
- (d) This MOU is for the sole and exclusive benefit of the Parties and shall not create a contractual relationship with, or cause of action in favor of, any third party.
- (e) Neither Party shall have the right to assign its interest in this MOU, including its rights, duties, and obligations hereunder, without the prior written consent of the other Party, which consent may be withheld by the other Party in its sole and absolute discretion. Notwithstanding the foregoing, either Party shall have the right, without the prior consent of the other Party, to assign all of its interest in this MOU in connection with any sale, merger or other transfer of all or a substantial part of such Party's electric transmission facilities as an operating entity; provided, however, that the effectiveness of such assignment shall be conditioned upon assignee (i) agreeing in writing to assume all of the rights and obligations of the assignor hereunder as of the assignment date and (ii) having all necessary corporate and regulatory authority and approvals to perform its obligations under this MOU. Any assignment made in violation of the terms of this Section 6(e) shall be null and void and shall have no force and effect.
- (f) In the event that any provision of this MOU is determined to be invalid or unenforceable for any reason, in whole or part, the remaining provisions of this MOU shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law, and such invalid or unenforceable provision shall be replaced by the Parties with a provision that is valid and enforceable and that comes closest to expressing the Parties' intention with respect to such invalid or unenforceable provision.
- (g) Each Party shall be solely responsible for and shall pay its own costs and expenses incurred by it in connection with the negotiation of this MOU, the Definitive Agreements and all other agreements, documents and instruments related hereto and thereto, including all legal fees and expenses and expenses associated with such Party's own due diligence activities.

(h) Whenever this MOU requires or provides that (i) a notice be given by a Party to the other Party or (ii) a Party's action requires the approval or consent of the other Party, such notice, consent or approval shall be given in writing and shall be given by personal delivery, by recognized overnight courier service, or by certified mail (return receipt requested), postage prepaid, to the recipient thereof at the address given for such Party as set forth below, or to such other address as may be designated by notice given by any Party to the other Party in accordance with the provisions of this Section 6(h):

If to PacifiCorp:

PacifiCorp  
825 NE Multnomah Street, Suite 1600  
Portland, OR 97232  
Attention: Director Transmission Services  
Fax No.: (503) 813-6893

If to PGE:

Portland General Electric  
121 SW Salmon Street  
Portland, OR 97204  
Attention: Frank Afranji  
Fax No.: (503) 464-7796

Each notice, consent or approval shall be conclusively deemed to have been given (A) on the day of the actual delivery thereof, if given by personal delivery or overnight delivery, and (B) date of delivery shown on the receipt, if given by certified mail (return receipt requested).

(i) This MOU may be executed in one or more counterparts (including by facsimile or a scanned image), each of which when so executed shall be deemed to be an original, and all of which shall together constitute one and the same instrument.

(j) Nothing contained in this MOU shall be construed as creating a corporation, company, partnership, association, joint venture or other entity, nor shall anything contained in this MOU be construed as creating or requiring any fiduciary relationship between the Parties. No Party shall be responsible hereunder for the acts or omissions of the other Party. Nothing herein shall preclude (i) a Party from taking any action (or having its affiliates take any action) with respect to any other transmission project, including any such project that may compete with the Project, or (ii) PGE from entering into agreements with third parties (including the Bonneville Power Authority) for the joint development, construction, ownership or operation of the Project or for the provision of transmission capacity from the Project.

(k) Unless otherwise expressly provided, for purposes of this MOU, the following rules of interpretation shall apply: (A) any reference in this MOU to gender includes all genders, and the meaning of defined terms applies to both the singular and the plural of

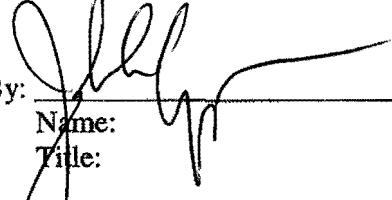
those terms; (B) the insertion of headings are for convenience of reference only and do not affect, and will not be utilized in construing or interpreting, this MOU; (C) all references in this MOU to any "Section" are to the corresponding Section of this MOU unless otherwise specified; (D) words such as "herein," "hereinafter," "hereof," and "hereunder" refer to this MOU (including the Exhibits to this MOU) as a whole and not merely to a subdivision in which such words appear unless the context otherwise requires; (E) the word "including" or any variation thereof means "including, without limitation" and does not limit any general statement that it follows to the specific or similar items or matters immediately following it; and (F) the Parties have participated jointly in the negotiation and drafting of this MOU and, in the event an ambiguity or question of intent or interpretation arises, this MOU shall be construed as jointly drafted by the Parties and no presumption or burden of proof favoring or disfavoring any Party will exist or arise by virtue of the authorship of any provision of this MOU.

7. Governing Law; Venue. This MOU shall be governed by, and construed and interpreted in accordance with, the laws of the State of Oregon without regard to its principles of conflicts of laws. Venue for any action hereunder shall be proper in Multnomah County, Oregon. Each Party waives to the fullest extent permitted by law, any right it may have to contest venue and a right to trial by jury in respect of any suit, action, claim or proceeding relating to this MOU.

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IN WITNESS WHEREOF, each of the Parties has caused its duly authorized officer to execute this Memorandum of Understanding as of the date first above written.

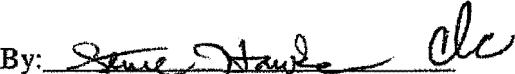
PACIFICORP

By: 

Name:

Title:

PORLAND GENERAL ELECTRIC COMPANY

By:  *dc*

Name: Steve Hawke

Title: Senior Vice President, Customer Service & Delivery

## EXHIBIT A

### TERM SHEET

Parties:	Portland General Electric Company, an Oregon corporation ("PGE")  Pacificorp, an Oregon corporation ("Pacificorp")
Project:	Double-circuit 500 kV transmission line to extend from Boardman, Oregon to the vicinity of Salem, Oregon, including new or upgraded substations, interconnections in central Oregon or other necessary equipment and facilities (the " <u>Cascade Crossing</u> " or the " <u>Project</u> ")
Joint Development and Construction Agreement:	An agreement to be entered into between Pacificorp and PGE pursuant to which:  (a) Pacificorp and PGE will jointly develop and construct the Project;  (b) Each of Pacificorp and PGE will be responsible for costs associated with the development and construction of the Project in an amount proportionate to its ownership share as stated and negotiated in the final Joint Ownership, Operating and Maintenance Agreement;  (c) Pacificorp will receive 600 MW of bidirectional transmission capacity on Cascade Crossing consistent with applicable laws, regulations, orders, tariffs, and regional technical determinations; and  (d) PGE will receive the balance of the remaining bidirectional capacity on Cascade Crossing (estimated to be 2100MW), but no less than 1500 MW.
Other Arrangements:	The Parties will discuss the possible joint development of existing rights of way for other mutually beneficial projects, including, but not limited to, (i) those projects necessary in the Willamette Valley to distribute energy transferred on the Project, (ii) new transmission into central Oregon (approximately 200 MW of additional capacity) , and (iii) transmission from west of the Willamette Valley to the Oregon coast, to the extent any development may mitigate environmental impacts and facilitate the efficient and cost-effective use of existing rights of way for the purpose of developing Cascade Crossing or other transmission projects.

## AMENDMENT No. 1

THIS AMENDMENT No. 1 dated November 7, 2010 ("Amendment") amends the MEMORANDUM OF UNDERSTANDING BY AND BETWEEN PACIFICORP AND PORTLAND GENERAL ELECTRIC ("PGE") dated July 22, 2010 (the "MOU"). Capitalized terms used but not otherwise defined herein have the meanings assigned to such terms in the MOU.

WHEREAS, PacifiCorp and PGE have each agreed to extend the Target Date pursuant to the MOU on the terms and subject to the conditions set forth herein; and

WHEREAS, in accordance with Section 6(b) of the MOU, PacifiCorp and PGE desire to memorialize their agreement as set forth herein;

NOW, THEREFORE, in consideration of the agreements set forth herein and the other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), PacifiCorp and PGE agree as follows:

1. Amendment. The MOU is amended as set forth below:

Amendment to Section 1(b)(iii): The date "December 31, 2010" set forth in Section 1(b)(iii) shall be replaced with the date "June 1, 2011".

2. Effective Date. This Amendment shall become effective as of November 7, 2010.

3. Miscellaneous.

3.1 Continuing Effectiveness. As hereby amended, the MOU shall remain in full force and effect and is confirmed in all respects.

3.2 Counterparts. This Amendment may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original but all such counterparts shall together constitute one and the same Amendment. A counterpart hereof, or a signature page hereto, delivered by one party to the other party by facsimile or electronic mail (in a .pdf or similar file) shall be effective as delivery of a manually-signed counterpart hereof.

IN WITNESS WHEREFORE, the duly authorized representatives of the parties hereto have executed this Amendment.

PORTLAND GENERAL ELECTRIC

By: Stephen R. Hawke  
(Signature)

Name: Stephen R. Hawke slh  
(Type or Print)

Title: Senior Vice President, Customer  
Service, Transmission and  
Distribution

11-01-2010  
(Date Executed)

PACIFICORP

By: John A. Cupparo  
(Signature)

Name: John A. Cupparo  
(Type or Print)

Title: Vice President, Transmission

11-11-2010  
(Date Executed)