BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 197

In the Matter of	)
PORTLAND GENERAL ELECTRIC,	)
Request for a general rate revision.	)

DIRECT TESTIMONY

OF THE

CITIZENS' UTILITY BOARD OF OREGON

REDACTED

July 9, 2008

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My name is Bob Jenks, and my qualifications are listed in CUB Exhibit 101.

I. Introduction

As we prepare this Testimony, a quick check of the Bloomberg Energy Prices website adds some perspective. The NYMEX Henry Hub Future price for natural gas is $12.28 per MMBtu. The Mid-Columbia, firm on-peak, spot market price for electricity is $78.79 per MWh. The Bloomberg, firm on-peak, day ahead spot market West Coast price for electricity is $132.78 per MWh. Electric and natural gas prices are rising dramatically. Yet, those energy costs are not part of PGE's original filing. PGE filed this case before energy prices began their dramatic rise, so those prices will be added later, in addition to rates resulting from this case.

What is driving this case is PGE's desire to add more staff and do more stuff. We have reviewed PGE's case and have examined the cost of several items in significant detail. We have found that PGE has neither a rigorous review process for new costs, nor a corporate culture that is focused on controlling costs. We have examined a number of new costs that appear in this docket: the Boardman simulator, PGE's new helicopter, the Generation Excellence Program, and the Customer Focus Initiative, and have found that the Company analyses of these costs are lacking. In addition, we examined other costs that are increasing, such as PGE's proposed research and development spending, and the Company's projected uncollectible accounts, and found that the Company has not shown these increases to be justified. We have determined that it is appropriate to eliminate the employee discount program that subsidizes the rates of PGE employees. We have concluded that PGE's decoupling proposal shifts cost and risk onto customers without a corresponding benefit. Finally, we have joined ICNU in sponsoring the Testimony of Ellen Blumenthal, who examined PGE's employee and compensation levels.

II. The Context Within Which PGE Filed This Case

Before addressing PGE's rate case filing, we think it is important to put the Company's filing both in the larger context of PGE as a utility and its future financial plans, as well as in the context of circumstances outside of PGE and outside of Oregon. PGE does not operate in a vacuum, and we are concerned that the Company is not preparing itself nearly aggressively enough for its own internal future, let alone its future in a global context.

A. No Apparent Financial Need For This Rate Case

Why did PGE file this rate case? PGE's 2007 Results of Operations report does not suggest that the Company is financially struggling. To the contrary, with an authorized return on equity (ROE) of 10.1%, PGE's 2007 Regulated Utility ROE, was 10.59%, and its Regulated Adjusted ROE was 11.58% (the largest two drivers behind the adjusted ROE being the cost removal of the Management Deferred Compensation Plan and a portion of incentive pay).[1] PGE's net income of $145 million in 2007 was more than twice the Company's 2006 net income of $71 million.[2] PGE has an annual power cost adjustment mechanism, the Annual Update Tariff, so the Company has no reason to file a rate case to recover increasing power costs. PGE has no major capital investment to bring into its rate base at this time, because the schedule in UE 180 was extended to bring Port Westward into rates, Biglow Canyon 1 was brought into rates in a separate proceeding, and AMI installation costs have been brought into rates through a separate proceeding. PGE is over-earning, and, after examining this rate case for months, we still do not believe it is necessary. Apart from the largely unavoidable increases in UE 198, this docket's proposed rate increase is unrelated to the general increase in energy costs both regionally and nationally, and is a sign that PGE is not managing its costs effectively.

B. Rising Power Costs, Planned Capital Investment & Future Uncertainties

Stepping back to put PGE's rate case in the larger picture also leaves one questioning the Company's judgment in its choice to file a general rate case. A future of possibly dramatic power cost increases, the Company's capital investment plans, and impending carbon regulation, should all be spurring PGE to aggressively manage and reduce its operating costs where it can, because its rates will be going up in the future. PGE's internal documents show that, since September of 2007, the Company has been

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[1] PGE 2007 Results of Operations. Cover Letter at 1, and Report at iii-iv, 6-7, and 10-11.
[2] CUB Exhibit 102 at 25. PGE Presentation – Analyst Day, June 2008.

forecasting a significant .[3] This is consistent with what the Company has told rating agencies:

CUB Exhibit 103 at 2. PGE Financial Forecasts – S&P Presentation, December 2007.

That the Company would ask customers to shoulder a general increase now, based on a compilation of vague and miscellaneous costs, while suggests that PGE is not making much effort to control costs.

Power costs have been rising, and the net variable power cost portion of the Company's 2009 test year represented an 8% increase from 2008 (and electric and gas prices have risen considerably since then);[4] it is not unreasonable to expect that the Company's July MONET update will contain a significant increase from February in the Company's 2009 power cost forecast. The Company plans to build Biglow Canyon 2 and 3, as well as install major emissions-reduction equipment at its Boardman facility.

In a presentation to investors last month, PGE stated that it planned to add $2.3 billion in capital additions between 2008 and 2012. This doubles the current average rate base of $2.37 billion.[5] PGE estimates that the Boardman Clean Air expenditures will be between $300 and $400 million, but could be as high as $620 million. Biglow 2 and 3 will add an additional $740 to $780 million to PGE's rate base.[6] Carbon regulation no longer appears to be a question of if, but when and how.

[3] CUB Exhibit 103 at 3. PGE Financial Forecasts – Internal Company forecasts.
[4] UE 197 PGE Pretrial Brief at 5. February 27, 2008.
[5] CUB Exhibit 102 at 29 and 30. PGE Presentation – Analyst Day, June 2008.
[6] *Id.* at 13 and 15.

From the vantage point of a utility in PGE's position, it would seem that now would be a good time to aggressively streamline its operations and curtail any discretionary spending in order to position itself and its customers to absorb future cost increases. Given that PGE filed this general rate case, however, it would seem that PGE is not taking such an approach.

C. Lessons From UE 115 & Regulatory Cost Control Incentives

In UE 115, PGE residential customers received a rate increase of more than 31%. While much of that increase was due to increases in power costs, CUB argued that a significant part of the increase "was due to huge increases in the cost of customer service, and distribution O&M," and that those increases were discretionary and could be eliminated or delayed.[7]

PGE did not follow our advice. As a result, rates went up dramatically, the economy sputtered, and customers responded with a significant reduction in usage which PGE had not forecast. This left PGE with a revenue shortfall. Due to the backlash from the huge UE 115 rate increase, PGE was not in a position to go to the Commission and seek a new general rate case to make up for the revenue shortfall. So, in 2002, the Company focused on cost control. In January 2002, PGE identified $14.8 million in budget cuts and its Capital Review Group set a goal to delay or cancel $16.1 million in capital projects.[8]

CUB continues to believe that PGE and its customers would have been better off in 2001 if PGE had worked to find those cost reductions before it imposed a 31% rate hike on customers. Where we stand today is not dissimilar. While this proposed general

[7] UE 139 CUB/100/Jenks/3.
[8] UE 139 CUB/100/Jenks/10-11.

rate increase is not 31%, combine this general increase in UE 197 with the expected power cost increase in UE 198, with ,[9] with the cost of PGE's doubling of rate base,[10] and suddenly the overall magnitude of the price increase over a short period looks frighteningly similar, if in a more drawn-out dynamic.[11]

i. Customer Response To High Prices Included In Annual Power Cost Update

There is a notable difference, however, in PGE's position now from where it stood after UE 115 and the revenue drop that followed that price increase. In its load forecast for this case and its annual power cost update (the Annual Update Tariff or AUT), PGE includes a factor for the price elasticity of demand (*i.e.*, a factor that accounts for customers using less electricity when the cost rises). Thus, unlike the post UE 115 environment, PGE's rates will include additional revenue to make up for the drop in load due to the increase in price, and the Company is, therefore, insulated from customers' load reductions due to a price increase. If PGE had little inclination to control its costs for its UE 115 rate case filing, it has less reason to do so now. By including price elasticity in load forecasting since UE 115, the Company has eliminated an incentive to control costs and avoid major rate increases.

ii. Escalating Historical Costs Can Escalate Inefficient Historical Costs

Oregon utility regulation is generally intended to elicit, not demand, efficient operations from a utility. Ideally, rates would be set based on the revenue necessary for an efficient utility to provide service to its customers and earn a reasonable return. At a practical level, however, we often set prices based on a utility's past costs, and then

[9] CUB Exhibit 102 at 2. PGE Financial Forecasts – S&P Presentation, December 2007.
[10] CUB Exhibit 102 at 29 and 30. PGE Presentation – Analyst Day, June 2008.
[11] Part of PGE's so-called "" is to change the pace of increases, so that rate ".” CUB Exhibit 103 at 1. PGE Financial Forecasts – S&P Presentation, December 2007.

project those costs forward at some measure of inflation. Unfortunately, this means that, when a utility is not efficient to begin with, we simply project the cost of those inefficiencies into future rates.

There are, of course, exceptions, where regulators have stepped in to more-actively promote efficient utility operation. The Commission has, as in UE 88 and UE 115, imposed a cost reduction specifically for cost control purposes.[12] We will discuss this in greater detail later in this Testimony. The Commission has also used a productivity offset when determining an escalation factor for costs (typically stated as inflation minus x, where x represents the productivity factor).[13]

iii. Incentive To Cut Costs Between Rate Cases Depends Upon Time Between Cases

Traditionally, in Oregon, a regulatory incentive to promote efficient utility operation has been the ability of a utility to control costs between rate cases, because any efficiencies gained by a utility in that time period accrued to the shareholders. This incentive, of course, is only meaningful if the time period between rate cases is sufficient to allow utility shareholders to benefit from the cost efficiencies before those efficiencies are accounted for in rates in the utility's next general rate case. Where PGE stands today, however, this is a weak incentive, as the Company is currently in a general rate case, has told Standard & Poor's that it [redacted] and it operates under a [redacted].[14] PGE's internal [redacted].[15]

[12] UE 88 OPUC Order No. 95-322 at 5. UE 115 OPUC Order No. 01-777 at 11-12.
[13] UE 94 OPUC Order No. 98-191 at 4.
[14] CUB Exhibit 103 at 1-2. PGE Financial Forecasts – S&P Presentation, December 2007.
[15] CUB Exhibit 103 at 3. PGE Financial Forecasts – Internal Company forecasts.

D. PGE Is Not An Efficiently-Run Utility

In 2006, PGE was the most expensive electric utility that the Oregon Public Utility Commission regulates.[16]

	PGE	PacifiCorp	Idaho Power
¢/kWh	7.43	5.88	4.22

As measured by revenue collected per kWh, PGE rates are 26% higher than PacifiCorp's and 76% higher than Idaho Power's. Some of this is clearly related to power costs, and results from decades-old utility decisions about generating plant investment. UE 197, however, is about neither power costs nor generation investment, and will, therefore, only serve to widen this gap. More importantly, this gap cannot be solely attributed to generation costs. PGE spends vastly more than PacifiCorp on customer service and information: PGE spends $8.6 million (approximately $11 per customer), as compared to PacifiCorp's $3.9 million (approximately $7 per customer) on customer service and information.[17] Unlike generation or transmission costs, which are difficult to significantly change in the short term, customer service and information spending is considerably more discretionary, operational changes can be made comparatively quickly, and cost savings can likewise be realized quickly.

III. PGE Is A Company Without Cost Control

PGE's filing in this case and the documentation provided through discovery paint a picture of a utility without a rigorous cost review process, without any internal culture of cost control, and without prudent judgment as to what costs are, and are not,

[16] Public Utility Commission of Oregon. 2006 Oregon Utility Statistics at 6-8 (Revenue per kWh).
[17] Public Utility Commission of Oregon. 2006 Oregon Utility Statistics at 17. At page 7, PacifiCorp average number of customers: 559,323. At page 8, PGE average number of customers: 788,831.

appropriate to ask customers to bear. In preparing this filing we could not, obviously, examine every cost and every financial decision. For the costs that we did examine, we propose specific revenue requirement reductions later in this Testimony. However, given PGE's trail of poor decisions, bad analysis, and lacking documentation from those issues we did review, we can only conclude that there is a great deal more financial efficiency that could be gained if PGE had an incentive to pursue it. As every cost that we reviewed suffered from a lack of analysis or scrutiny for efficiency, imagine all the other costs that suffer from the same treatment. We therefore recommend that the Commission impose a 1% discretionary cost reduction to account for the Company's poor cost management. The Commission has required discretionary cost reductions in UE 88 and UE 115.

A. PGE's Capital Review Process Is Weak And Inconsistent

We are not in the position, nor is any party, to constantly look over PGE's shoulder as the Company's management chooses which projects to pursue or how best to pursue them. We have, however, both in this docket and others, been looking at particular choices the Company has made, and the analysis, or lack thereof, behind those choices. We have, without exception, been unimpressed with PGE's fundamental approach to analyzing financial choices.

i. PGE Cannot Set Priorities Without Projecting Rate Impact Of Its Expenditures

Responsible capital spending has to be done in the context of utility rates. Yes, a utility has an obligation to serve, but customers' ability to absorb increasing rates is central to that obligation. A utility whose rates are increasing to an extent where businesses are closing-up shop and an increasing number of residential customers are struggling to make their payments is, arguably, not serving its customers well. A utility must make numerous decisions as to how to best meet its customers' needs. PGE cannot prudently make those decisions or set priorities in its capital expenditure planning, if it is not considering what impact different choices will have on rates, both individually and cumulatively.

PGE's capital review process, however, does not appear to concern itself with rates. We asked PGE to identify the expected rate impact of a number of its proposed capital projects. PGE was unable to do so.

> PGE has not completed the analyses for Biglow 2 and 3 and Boardman air quality improvements, they are not relevant to this case. Some information regarding Biglow 2 and 3 can be found in PGE's 2007 integrated resource plan (OPUC Docket LC 33). The rate impact of AMI has been thoroughly described in OPUC Docket UE 189 and is estimated to be about zero in the year after full deployment because O&M savings offset the incremental revenue requirement of the new system. Hydro relicensing consists of numerous projects over several years. Although some of these are included in the UE 197 test year forecast (e.g., the selective water withdrawal tower at Round Butte and the fish ladder at River Mill), PGE has not calculated individual rate impacts for these projects.

CUB Exhibit 104 at 1-2. Capital Expenditure Rate Impact Data Response.

Frustrated, we asked a follow-up question, and finally did receive some projections for Biglow Canyon 2 and 3. In addition, three months after our initial data request and after several workshops where we voiced concerns about PGE's financial review process, PGE updated its answer, and was able to provide "PGE's initial estimate of the rate impact of two possible emission control technologies for the Boardman plant."[18]

[18] CUB Exhibit 104 at 2. Capital Expenditure Rate Impact Data Response. It should be noted that the projected cost of Boardman emissions control is publicly available on PGE's website as information for investors. However, the Company insists that projections of the rate impact of this investment are confidential.

We do not take great comfort from the fact that it takes repeated questioning for PGE to come up with rate impact estimates of its capital expenditure plans. Such estimates should be an integral part of PGE's financial review process, and are necessary for the Company to set priorities. Finally, such estimates should be considered when PGE is reviewing plans for any discretionary costs.

ii. PGE's Documentation Of The Company's Financial Review Process

We asked a number of questions in an attempt to understand PGE's financial review process. The answers we got were inconsistent, and don't seem to represent the actual practice of the Company. PGE's Customer Focus Initiative suggests that a cost-benefit justification is necessary as part of the review of new ideas:

> **No Change in Justifying Proposed Projects**. Any work group coming up with an idea that requires additional unbudgeted funds will have to make a request with a cost-benefit justification just as they always would. This initiative does not change that. Hopefully, this initiative will improve the quality of ideas and the customer benefit criteria brought to bear.

CUB Exhibit 106 at 23. Customer Focus Initiative Design Team Report (emphasis original).

When we looked at specific programs, however, such as the Generation Excellence Initiative or even the Customer Focus Initiative itself, there were no cost-benefit analyses.

In data responses, PGE often cited its Capital Review Group (CRG) Summary of a project as the basis of its financial review process. We are not convinced that the CRG or other capital review processes are rigorous. In previous dockets, we were disappointed by PGE's review of such capital projects as the Boardman turbine upgrade and AMI. In this case, we reviewed PGE's analyses for two significant capital expenditures, the Boardman simulator and the new PGE helicopter. These four capital projects demonstrate that PGE does not have a good system in place to ensure that projects are cost effective.

iii. The 2000 Boardman Experimental Upgrade

CUB's position on PGE's due diligence prior to the Company's decision to install experimental components at Boardman is extensively laid out in our Reply and Surrebuttal Testimonies in UE 196. For purposes of this docket, we point out that we asked numerous, iterative data requests of PGE in UE 196, asking the Company to produce its analysis that led management to decide to take the risk of installing experimental equipment at Boardman. The paucity of documentation that the Company provided demonstrates a cursory analysis of a major decision, and an analysis that did not ask or answer important questions concerning the magnitude of financial risks.[19] PGE's approach to the 2000 Boardman installation is a prime example of either weak or missing analysis.

iv. Advanced Metering

PGE's UE 180 advanced metering proposal was premature, poorly developed, and inadequately analyzed; so much so that the Company pulled its initial proposal, worked extensively with the parties, and was only able to produce something that most parties could agree to a year and a half later. PGE proposed its new advanced metering project in its UE 180 filing of March 2006. The Company's analysis of the proposed project was so weak that we opposed it vehemently in our Testimony.[20] Staff, too, though more supportive of the Company's advanced metering plans, found the Company's case for pre-approval to be wholly inadequate.

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[19] UE 196 CUB Reply and Surrebuttal Testimonies. In particular see CUB/200/Jenks/5-12.
[20] UE 180 CUB/200/Jenks-Brown/35-47.

> The Commission does not pre-approve investments in traditional rate case filings. Further, as I describe below, the company did not file the final configuration of the AMI system it plans to install, and testified using only rough estimates of costs and O&M savings.

UE 180 Staff/600/Schwartz/2.

> Staff supports accelerated write-off of existing metering capital if the request is properly filed and the company demonstrates a solid AMI business case. The Commission does not yet have a properly filed request or definitive costs and savings on which to judge the business case.

UE 180 Staff/600/Schwartz/22.

PGE's case for its advanced metering proposal in UE 180 was so unacceptable, that the Company, at the urging of the parties, pulled the proposal from the rate case and filed a separate case, UE 189, a year later in March 2007. In late November of 2007, after another 8 months of work with Staff and the parties developing PGE's advanced metering analysis and proposal, the Company, Staff, and other parties, excluding CUB, signed a stipulation supporting the Company's advanced metering plans. This process suggests that PGE struggles to put together a rigorous analysis of a major undertaking.

v. Boardman Simulator

A capital investment project we reviewed for this rate case was PGE's choice to invest in the Boardman simulator. PGE summarizes the history of the project:

> Training for plant staff is critical to maintain high reliability. In the past, PGE sent Boardman employees off-site for training; however, due to an uncontrollable change in service providers, the costs for Boardman training were expected to increase over 350%, from approximately $60,000 up to $272,000 per year. The initial proposal for the Boardman simulator was approved in August 2005 as a response to these increased costs and to maintain plant reliability. After Revision 1 in August 2006 the project had a 4.88 year payback period. In February 2007, PGE increased the project cost by an additional $0.6 million for the simulator and a further $0.4 million to increase the size of the building for Boardman offices and storage. With these additional costs, the project was not expected to have an economic payback of less than 5 years; however, it was still considered a critical part of training, reliability

> and safety. The project justification is also described in PGE Attachment 049-A.

CUB Exhibit 107 at 1-2. Boardman Simulator Data Response.

The cost of sending employees off-site was increasing, so PGE looked at installing a simulator that would allow them to conduct training at the Boardman site. According to the above quote, in August 2005, PGE evaluated the proposal and found that it was cost effective with an economic payback of less than 5 years. Less than a year later, PGE revised its analysis, added $1 million in costs, and found that it no longer had a payback period of less than 5 years, but decided to go forward with the project, because it "was still considered a critical part of training, reliability and safety."

BEGIN CONFIDENTIAL

[21]

[21] CUB Exhibit 108 at 1. CRG Summary of Boardman Simulator.

[22]

[23]

[24]

[22] CUB Exhibit 108 at 1-2. CRG Summary of Boardman Simulator.
[23] CUB Exhibit 107 at 2. Boardman Simulator Data Response.
[24] This assumption needs to be incorporated into rates in UE 198.

[25]

[26]

[25] CUB Exhibit 108 at 1. CRG Summary of Boardman Simulator.
[26] CUB Exhibit 108 at 2. CRG Summary of Boardman Simulator.

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From the outside, it appears as though the Company had, perhaps, at some unconscious level, committed to the project, and was therefore unable to step back, look at the proposed project objectively, and pull the plug when the cost-benefit analysis no longer penciled out. PGE's analysis for its decision to purchase and install a simulator at Boardman should have been soundly based on calculations demonstrating that the projected replacement power cost savings from a reduced forced-outage rate due to a simulator, as opposed to off-site training, would outweigh the increased cost of the simulator with its associated construction and personnel. PGE did not even try to do this.

vi. Helicopter

One of the new capital projects in the 2009 test year is the purchase of "a new single-turbine engine Eurocopter AS350B3 helicopter to replace PGE's existing helicopter."[27] PGE's old helicopter was nearing the end of its useful life and the utility examined the economics of purchasing a new helicopter or outsourcing its helicopter use. PGE's economic analysis showed that purchasing the Eurocopter was the best option, but that analysis had two significant flaws: 1) PGE forecast far greater helicopter usage than past usage indicated; and 2) In the Company's benchmarking analysis, PGE did not consider the other utilities' need for a helicopter as compared to its own helicopter usage. A better analysis would have shown that outsourcing the Company helicopter operations would have been the least-cost option.

a. PGE Forecast For Helicopter Usage Was Too High

PGE's analysis assumed a need for 250 hours of helicopter operations each year. However, in 2006, the year before the analysis was conducted, the helicopter was used

[27] CUB Exhibit 109 at 1. CRG Summary of Helicopter Analysis.

only 154 hours, and in 2007, the year that the helicopter purchase was reviewed, the helicopter was only used 164 hours.[28] Nearly 10% of these hours were maintenance flights to Boeing Field in Seattle, maintenance test flights, or flights for unregulated purposes.[29] After adjusting for these, PGE's average helicopter usage for 2006 and 2007 was just 145 hours per year.

In contrast to PGE's helicopter usage in 2006 and 2007, the Capital Review Group Summary states:

> About 250 flight hours annually are devoted exclusively to T&D system patrols (this excludes infrared analysis patrols which could potentially add an estimated 100 hours if conducted).

CUB Exhibit 109 at 2. CRG Summary of Helicopter Analysis.

PGE based its analysis on 250 hours per year of flight time, well above the prior year usage, and then compared the cost of purchasing a helicopter to the cost of outsourcing for that many hours. It is not clear why PGE chose a forecast of 250 helicopter hours when its prior-year usage was only 60% of that. There is also no sensitivity analysis of the Company's assumption of 250 hours of flight time. Nevertheless, based on 250 hours of flight time, PGE's analysis found that the net present value of purchasing the helicopter was less that the net present value of outsourcing.[30]

Purchase Eurocopter	$8,219,068
Outsource to Roger's	$9,703,346

If we correct PGE's analysis, by reducing the forecast for helicopter usage from 250 hours to a more-realistic 150 hours, we find that outsourcing results in a lower cost.

[28] CUB Exhibit 110 at 2 and 4. Helicopter Operations Reports 2006-2007.
[29] CUB Exhibit 111 at 1. Helicopter Flight Hour Adjustment.
[30] CUB Exhibit 109 at 1. CRG Summary of Helicopter Analysis. We note that the Eurocopter cost here is slightly different than in CUB Exhibit 112. Both numbers were provided by PGE and the effect of the difference is not significant.

Purchase Eurocopter[31]	$ 7,521,794
Outsource to Roger's[32]	$ 6,368,179

PGE found that purchasing a helicopter had a net present value benefit of $1.5 million over 22 years. However, when we correct the Company's analysis we find that outsourcing would have had a net present value benefit of $1.2 million over the same period.

In the UE 180 test year, PGE also forecast 250 hours of operation.[33] However, in 2007, PGE only used the helicopter for 154 hours. In this rate case, with a 2009 test year, PGE again includes the cost of 250 hours of helicopter operation.[34] However, the data from 2006 and 2007 indicate that this assumption is not realistic, and that the Company's helicopter usage only approaches 150 hours per year.

b. PGE Benchmarked Itself Against BPA and Southern California Edison

To confirm its choice to purchase a helicopter, PGE benchmarked itself against four other utilities that "conduct aerial patrols in environments similar to PGE."[35] While environment certainly might play a role in the type of helicopter to use, it would seem that miles of transmission lines and geographic extent would be more relevant characteristics in comparing PGE's helicopter needs to those of another utility.

> Of the four utilities interviewed, two, BPA and SCE, maintain an in-house operation. In both cases this election was based on studies which concluded that outsourcing was a higher cost alternative. Both studies compared the cost of ownership to outsourcing arrangements that provide dedicated aircraft on a year round basis. Pacific Power's outsourced operation was the result of a strategic decision made by its parent to

[31] Value derived by using 150 operating hours instead of 250 in the Conklin & de Decker model provided in response to CUB data request 50. The operating hours were changed in worksheet tab 1.2, cell D9, and the result appears in tab 2.5, cell D46. This model appears to calculate the lifecycle cost over 20 years instead of 22.
[32] CUB Exhibit 112 at 1. Helicopter Costs & Outsource Adjustment.
[33] CUB Exhibit 113 at 2. Helicopter Flight Hours in UE 197 and UE 180.
[34] CUB Exhibit 113 at 1. Helicopter Flight Hours in UE 197 and UE 180.
[35] CUB Exhibit 109 at 2. CRG Summary of Helicopter Analysis.

> eliminate all in-house flight operations including fixed wing and is currently being re-evaluated. Avista Power's outsourcing arrangement is driven by its limited need for multi-season line patrols.

CUB Exhibit 109 at 2-3. CRG Summary of Helicopter Analysis.

PGE benchmarked against four utilities: Southern California Edison (SCE), Bonneville Power Administration, PacifiCorp, and Avista. SCE and BPA both did studies and concluded that it was cheaper to own a helicopter than to outsource their helicopter usage. This information would have been useful as a comparison, if SCE and BPA had similar needs as PGE. Common sense, however, would suggest that the helicopter needs of Southern California Edison, a utility with millions of customers, and BPA, a federal agency that markets federal hydro power and owns transmission facilities throughout the Northwest, would be quite different than PGE's helicopter needs. The comparison to BPA is especially odd, given that the CRG Summary claims that the "aircraft's primary mission is to provide aerial line patrols of PGE's transmission and distribution (T&D) system."[36] It is difficult to imagine that BPA's need – with a transmission system of over 15,000 circuit miles – and PGE's need for aerial transmission line patrols would be comparable. In fact, of the four utilities, the two that are closer to PGE in size and scope are the ones that *do not* own their own helicopter.

Data from the websites of the utilities that PGE used to benchmark its decision provides a picture of the relative scale of the utilities in question.[37]

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[36] CUB Exhibit 109 at 1-2. CRG Summary of Helicopter Analysis.

[37] Utility data from www.sce.com, www.portlandgeneral.com, www.bpa.gov, www.avistautilities.com, and www.pacificpower.net.

	PGE	SCE	BPA	PacifiCorp	Avista
Service territory (sq. miles)	4,000	50,000	300,000	136,000	30,000
Number of retail customers	801,000	4,600,000	N/A	1,600,000	340,000

SCE has 4.6 million residential and business customers, compared to PGE's 801,000. SCE has a 50,000 square mile service territory compared to PGE's 4,000. PGE's benchmarking analysis does not appear to have considered the relative need of a utility such as SCE for a company-owned helicopter as compared to its own need. Stepping back even further, BPA isn't a retail utility; it owns much of the Northwest transmission system, and it has a service territory of 300,000 square miles. That BPA's helicopter usage is likely vastly different than PGE's does not appear to have been considered in PGE's benchmarking analysis.

Avista has fewer customers than PGE, but has a much larger service territory. PGE's benchmarking analysis found that "Avista Power's outsourcing arrangement is driven by its limited need for multi-season line patrols."[38] However, Avista's limited need may more closely resemble PGE's need for a helicopter than BPA's would, though PGE's analysis is silent on this issue. PacifiCorp is larger than PGE both in number of customers and in service territory. Without comparing its own operational needs to those of PacifiCorp, PGE's benchmarking analysis simply states that PacifiCorp does not have a helicopter, but that the decision is being "re-evaluated."

Ultimately, PGE's benchmarking analysis is of little use, because PGE, in choosing utilities to use as benchmarks, failed to ask the fundamental questions of which

[38] CUB Exhibit 109 at 3. CRG Summary of Helicopter Analysis.

utilities have helicopter usage similar to PGE's, and how the needs of those utilities were similar to, or different from, its own.

B. PGE's Financial Decision-Making Processes Lack Scrutiny And Rigor

We cannot look at every decision the Company makes, but the lack of rigor that we have encountered throughout the Company's filing in this case, as well as throughout other Company documentation of its financial decision-making processes, is discouraging.

i. The Cost Mitigation Included In PGE's Filing

Effective cost management is not a topic we would expect PGE to be shy about. Indeed, we would expect a utility asking for a rate increase to bend over backwards to demonstrate its achievements in operational cost control. PGE's initial filing, however, demonstrates a utility that is either very shy or does not have significant cost control achievements to showcase. PGE estimates it has, through business efficiencies, saved \$980,000 annually through discontinuing a vendor maintenance agreement, switching its email system from GroupWise to Outlook, and implementing a process that converts paper checks to electronic payments.[39] For a requested increase of \$147 million and an ultimate revenue requirement of \$1.7 billion, PGE coughed up less than \$1 million in annual cost savings, approximately 6/100ths of 1%.

The Company mentions, but does not quantify, savings associated with an Absence Management Program, a Coordinated Work Crew Project for joint-use utility poles, the Company's FITNES program for reducing wood pole losses, and PGE's internal studies on health issues, as well as the Company's participation in health forums.

[39] UE 197 PGE/100/Piro/11-12.

PGE also points to potential future AMI savings, and an accounting change to spread the cost of an equity issuance over multiple years rather than including it all in the 2009 test year.[40]

We asked data requests of PGE to ferret out any further cost savings the Company could identify. In response, the Company told us that "the programs included in PGE Exhibit 100 were identified as 'examples' and are not intended to be an exhaustive list," and "PGE pursues savings and efficiencies throughout its operations," and "[m]any of these were noted in our various exhibits and they result in additional savings or avoided costs."[41] The Company did not, in response to our request, provide any more concrete examples or cite the "additional savings or avoided costs" sprinkled through the "various exhibits."

We further pressed the Company about its references, in a presentation to the investment firm Edward Jones, to "effective cost management." In response, the Company simply replied: "Refer to PGE's Direct Testimony, Exhibit 100, pages 11-14."[42] If PGE cannot or will not provide any additional, substantive examples of cost reductions, we can only presume that they do not exist.

ii. Customer Focus Initiative

In a recent presentation to investors PGE described its new Customer Focus Initiative in these terms:

[40] UE 197 PGE/100/Piro/12-15.
[41] CUB Exhibit 114 at 1. Cost Management Data Responses.
[42] *Id.* at 2.

> **Customer Focus Initiative**
> - Continuous process improvements focused on improving customer interactions and cost efficiencies to achieve increased customer satisfaction

CUB Exhibit 102 at 8. PGE Presentation - Analyst Day, June 2008.

We asked PGE to provide us with all documents "describing, guiding, or governing" the Customer Focus Initiative. In response PGE provided the Customer Focus Initiative Design Team Report, provided as CUB Exhibit 106. This report is more than 30 pages long, and does not once mention minimizing customer rates, cost efficiencies, cost control, or anything else to suggest that PGE's focus on customers might involve a focus on controlling the rates that PGE charges its customers.

The Customer Focus Initiative is PGE's attempt to enact "long-term cultural change to become more customer-focused."[43] According to the Design Team Report, the Customer Focus Initiative is an attempt to define the culture that the Company wants to set after its split from Enron.

> In November 2005, the PGE officer team anticipated emerging from a period of ownership uncertainty, permitting the company to more proactively set an agenda for improvement, and selected customer-driven-culture as one next best pursuit of excellence. In June 2006, the officers commissioned a management team to design and propose a way forward.

CUB Exhibit 106 at 2. Customer Focus Initiative Design Team Report.

According to PGE's Design Team, the Customer Focus Initiative is built on two primary principles:[44]

> Be the Beam
>
> Play for the Leave

[43] CUB Exhibit 105 at 1. Customer Focus Initiative Data Response.
[44] CUB Exhibit 106 at 5. Customer Focus Initiative Design Team Report.

The closest the Report gets to discussing electric rates comes in the following quote, which, rather than calling for cost management, calls for doing more stuff.

> PGE, like other utilities, must pass on **rising power costs** in higher prices. We need to increase what we do for customers to sustain their experience of value from us.

CUB Exhibit 106 at 9. Customer Focus Initiative Design Team Report (emphasis original).

The initiative has a recommendation for 2007 which also does not seem to consider efficient utility operation.

> Work for 2007: We recommend that PGE compose a clear, compelling expression of its historic, implicit promise. No doubt the statement will involve our traditional ideas of contributing to the lives of our customers and giving them peace of mind, plus perhaps evolving thoughts about our 21st century utility role.

CUB Exhibit 106 at 4. Customer Focus Initiative Design Team Report.

Last month in PGE's presentation to Wall Street, the Company claimed that finding cost efficiencies was a focus of this Initiative, but a review of the actual Design Team Report shows that finding cost efficiencies is not part of the Customer Focus Initiative at all. PGE's new Customer Focus Initiative may be PGE's attempt to define a new corporate culture, but, unfortunately, as evidenced by the Design Team Report, that new corporate culture does not include a focus on efficiency.

iii. Generation Excellence

In its Testimony, PGE laid out its argument for the Company's new Generation Excellence Initiative:

> Q. Does PGE have any initiatives aimed at maintaining high plant reliability?
>
> A. Yes. We have recently started our Generation Excellence Initiative.

> Q. What is PGE's Generation Excellence Initiative?
>
> A. This high level initiative focuses on the changing needs of PGE's plants and maintaining maximum plant availability. Its cornerstones are improvement in four areas: improved safety, employee performance, plant reliability, and process improvement. As part of this initiative, in 2008, we will install a new high-fidelity simulator at the Boardman plant. This simulator will provide training on operating and responding appropriately to a wide range of possible Boardman-specific events, thereby maintaining the skills of the operating crews and minimizing the probability of outages due to operator error. Another example of this initiative is the creation of the Reliability Centered Maintenance (RCM) group. The RCM group, composed of three existing employees, conducts root cause analyses of problems that affect plant reliability and implements corrective action plans. Additionally, engineering will be performing Failure Mode and Effects Analyses (FMEA) to ensure design and operating risks are identified and addressed in a structure manner. Finally, we are developing a standardized maintenance program at our thermal and hydro plants, which will improve work and inventory management systems.

UE 197 PGE/400/Quennoz-Lobdell/17.

This description does little to explain what this initiative will cost, what its financial benefits might be, or why the Company believes it to be a prudent program. In response to our initial data request, PGE referred us to the Testimony cited above, and provided a power point presentation on the program. The Generation Excellence 2008 presentation, provided as CUB Exhibit 115,[45] provides a structural list of actions to be completed and makes clear that the Generation Excellence Initiative will require adding several new employees, but offers little analysis of either the costs or the benefits which would allow the Company (or anyone else) to evaluate the prudence of the Initiative.

We tried again, with a new data request that asked the following:

[45] The background pictures have been removed for readability.

PGE is starting a new program, the Generation Excellence Program.

a. Please provide a copy of the proposals (analyses, memos, and all other documentation) that was considered by Jim Piro, the Officers, and the Board of Directors concerning this new program.

b. How does this program benefit customers?

c. If the Company has engaged in multi-year planning for this program, does PGE forecast the amount of company resources invested in this program to increase, decrease, or remain the same in the next few years?

d. What is the total cost in the 2009 test year related to the Generation Excellence Program?

CUB Exhibit 116 at 1. Generation Excellence Data Response.

In response to part a, PGE offered two new documents. The first was another Generation Excellence Presentation, provided as CUB Exhibit 117,[46] but for PGE's Board of Directors and "for informational purposes only." It includes forecasts of costs which the Company claims are "preliminary estimates and many were subsequently revised."[47] The other document is a power point presentation that was provided to senior management and is the same power point that was provided in response to our earlier request with a handful of added slides.

In response to part b, PGE offered the following details about customer benefits:

> As discussed in PGE Exhibit 400, page 17, the Generation Excellence initiative benefits customers by improving safety, employee performance, plant reliability, and work processes. The increased training will help minimize the likelihood of outages due to operator errors and improve maintenance program implementation at our thermal and hydro plants.

CUB Exhibit 116 at 2. Generation Excellence Data Response.

In response to part d, we got the following answer:

> As noted above, Generation Excellence is an overall umbrella that encompasses parts of many strategies to improve the quality and

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[46] The background pictures have been removed for readability.
[47] CUB Exhibit 116 at 1. Generation Excellence Data Response.

> operations of our plants and includes activities and process improvements that were necessary to address identified needs across the generation function. For example, in addition to training, succession planning and overall work process improvements are considered to be part of this initiative. As discussed above, we do not formally track all of Generation Excellence costs separately; Attachment 048-C is our estimate of the costs related to the strategies. Attachment 048-C is confidential and subject to Protective Order 08-133.
>
> The increase in 2008 is primarily related to the addition of eight FTEs for the purpose of succession planning, work load management, and training. Three of these FTEs are existing employees that are part of the newly formed Reliability Centered Maintenance (RCM) group, which is discussed in more detail in PGE Exhibit 400, page 17. See also PGE Exhibit 400, pages 18 and 19 for a general discussion of FTEs.

CUB Exhibit 116 at 2. Generation Excellence Data Response.

These two confidential documents do little to demonstrate that the Generation Excellence Initiative is well-designed, prudent, or cost-effective. The presentation to the Board lists costs for various activities, but makes no attempt to relate those costs to actual benefits. As we noted above, the Company has already said that the "estimates contained in it were preliminary estimates and many were subsequently revised."[48]

The other confidential document lists the costs of the Generation Excellence Program, provided as CUB Exhibit 118, that are in the current test year.[49] It shows that the test year cost of the Generation Excellence Initiative is $[redacted], and that the Initiative includes [redacted].[50, 51] The document's explanation of these costs fails to identify how these costs would provide any real benefit to customers.

We asked PGE for all of its analyses of the Generation Excellence Initiative. We reviewed the materials that PGE sent in response, and we found no financial justification

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[48] CUB Exhibit 116 at 1. Generation Excellence Data Response.
[49] We are not sure why this document is confidential. It reflects the cost of the Generation Excellence Initiative that the Company is proposing customers pay for.
[50] CUB Exhibit 118 at 1. Generation Excellence Costs.
[51] The capital cost of the Boardman simulator is not listed as a test year cost of the Generation Excellence Initiative.

for the Initiative. It seems that PGE did not perform any comprehensive cost-benefit evaluation of the overall Initiative. While PGE claims that these costs will improve plant performance and provide benefits to customers, outside of the financial analysis of the Boardman simulator, we found no analysis to support any financial benefit from these additional costs and employees.

When Texas Pacific Group tried to buy PGE, CUB was concerned about their plans to significantly cut employee levels at PGE's generating plants.

> CUB Exhibit 105 is an August 20, 2003, memo which examines PGE's generating facilities. It argues that turbine overhauls at Boardman occur too frequently, that Boardman is overstaffed and that Boardman O&M can be cut by 5 to 10%. It suggests that Beaver should rely more on outsourcing "anything beyond basic daily maintenance" and that a simple retrofit will allow the combustion inspection maintenance intervals to extend from 4,000 hours to "as long as 10,000 hours." Finally, it concludes that PGE's hydro operations "are over staffed by as much as 25%," and that capital expenditure "commitments to the re-licensing efforts should be thoroughly reviewed for cost reduction opportunities."

UM 1121 CUB/100/ Jenks-Brown/11.

We were concerned that Texas Pacific's plans to reduce staff at PGE's generating plants could lead to poor performance and harm customers. Here we are in the opposite position. Texas Pacific is long gone, and PGE is proposing to add staff to the very same plants that Texas Pacific found to be overstaffed. While we were not convinced that Texas Pacific's proposed job cuts were in the best interests of customers, we likewise do not believe that PGE's additions to the staffing levels would be in the best interest of customers. Without any demonstration that the proposed additional staff and costs would provide a quantifiable, tangible benefit – and unsupported phrases such as "plant reliability" and "safety" are not quantified or tangible – these costs should not be included in rates.

C. PGE's Ability To Document Thorough Analysis Is Necessary For Recovery

In determining whether a cost can be considered to be a prudent investment and be charged to customers through rates, the Commission has adopted a clear standard of proof:

> [U]nder ORS 757.210, the burden of showing that the proposed rate is just and reasonable is borne by the utility throughout the proceeding. Thus, if PGE makes a proposed change that is disputed by another party, PGE still has the burden to show, by a preponderance of evidence, that the change is just and reasonable. If it fails to meet that burden, either because the opposing party presented compelling evidence in opposition to the proposal, *or because PGE failed to present compelling information in the first place, then PGE does not prevail*.

UE 139 OPUC Order No. 02-772 at 4 (emphasis original).[52]

Much of our Testimony to this point is related to PGE's success, or lack thereof, in meeting this standard. PGE must present compelling information in its opening attempt to justify the inclusion in rates of a cost. Not only is this necessary for the utility to meet its obligation to carry the burden of proof, but it is the only way for other parties to examine the utility's case and respond.

What is the Commission's standard for "compelling information"? It is all well and good to say that "we know it when we see it." However, we think it is necessary to give this standard real meaning; if PGE does not provide anything more than a mere description of the program and its cost, this cannot be considered compelling, and cannot be the basis for inclusion in rates.

We have already provided examples where PGE justified an investment by a simple assertion or by a fatally flawed analysis. Summarizing these examples, PGE presented an investment backed by an analysis, then increased the cost by considerably

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[52] Quoting UE 115 OPUC Order No. 01-777 at 6.

more than 50%, but merely justified the increased cost with a simple assertion and without additional analysis or demonstration of additional benefit. PGE justified another investment by overstating the need compared to recent historical trends and benchmarking itself against other utilities that were not comparable. For yet another investment, PGE could not describe specific benefits to customers for the additional costs.

Given the weak and flawed cost analyses that we examined, imagine the flaws in the analyses and justifications of costs that we did not examine. When the Commission demands compelling information, we think the information should be compelling, and this requires the supporting information to be based on quality analysis and to identify concrete benefits to the customer for the money being spent. Anything short of this does not meet the burden of proof.

D. Discretionary Cost Reduction

In light of PGE's lack of rigorous financial analysis and the Company's lack of aggressive cost management, we recommend the Commission impose a 1% of overall revenue requirement cost reduction, approximately $17 million, to be implemented as the Company sees best. This serves to capture the fiscal inefficiency that appears to be rampant throughout the Company, but, because we are not in a position to examine every cost, we cannot address as specific revenue requirement adjustments.

The following quotes are from the Commission's Orders in UE 88 and UE 115:

> Commission staff asked the Commission to impose on PGE an additional reduction in discretionary costs (operating and maintenance expense accounts excluding Trojan O&M, amortization of energy efficient balances, uncollectible accounts, regulatory expenses, and rents) if the Commission found that PGE's cost reduction efforts were insufficiently diligent in the circumstances. We have imposed an additional one percent

> cost reduction on PGE, which reduces PGE's revenue requirement by approximately $1.6 million in each test year.

UE 88 OPUC Order No. 95-322 at 5.

> PGE has failed, however, to establish that it has made every reasonable effort to reduce other, discretionary Customer Service costs to help offset its spiraling power costs. We acknowledge that such reductions require difficult choices. Nonetheless, given the increasing wholesale power costs and PGE's reliance on that market to meet customer load, we believe that PGE must consider the rate impact on customers and critically examine whether some of these proposed expenditures should be delayed or simply not made at this time.
>
> … we conclude that PGE's Customer Service costs forecast for the 2002 test year should be reduced by an additional $3.5 million above and beyond the adjustments contained in the stipulation. We decline to identify particular program areas that may be susceptible to reassessment or to impose specific cost reductions. These discretionary costs are best managed by the company.

UE 115 OPUC Order No. 01-777 at 11-12.

After the Commission imposed a $3.5 million cost reduction in PGE's UE 115 2002 test year, customers reacted to the rate hike and cut their usage. This forced PGE to identify $14.8 million in additional cost reductions, eventually adding up to more than $18 million in costs that were cut from the 2002 budget.[53] Since that time, PGE's revenue requirement has grown by 40%. PGE could find $18 million in discretionary costs to cut in 2002; therefore, it is not unreasonable that a larger PGE can find $17 million today. Imposing a 1% revenue requirement reduction on the Company makes sense for the following reasons:

1. Energy industry cost dynamics are generally trending upwards. Efficient operations are essential in order to combat runaway rates.

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[53] UE 139 CUB/100/Jenks at 10-11.

2. PGE's own capital investment program indicates significant rate increases in the next few years, and PGE should position itself operationally to mitigate rates going into this capital investment period.
3. In this rate case, and in recent previous cases, PGE has not shown an interest in, or the results of, efficient cost management. The current Company culture does not seemed focused on keeping costs and rates at a reasonable level. The Commission can help create this culture for PGE.
4. PGE's analyses justifying the costs that we examined showed a lack of discipline and sophistication. This appears to be endemic, so it is not unreasonable to conclude that many of PGE's other proposed and existing costs are inflated. It is time to readjust the Company's costs.
5. The Commission-approved annual power cost update (AUT) has removed the price elasticity disincentive for PGE to continue to raise rates. In other words, the natural price elasticity that occurred in reaction to the UE 115 rate increase is now accounted for in rates established in the AUT, protecting PGE from a loss of revenue due to a loss of load from customers' price response. It was after the UE 115 rate increase, when loads and revenues went down, that PGE actually took cost control and efficient operations seriously. In fact, as a result of the UE 115 load and revenue reduction, PGE reduced costs by $18 million dollars, which was greater than 1% of revenue requirement.

The 1% revenue requirement reduction serves both as an incentive for the Company to control its costs and streamline its operations prior to significant power cost and capital investment-related rate increases, and to counter a corporate culture that seems disinterested in rates. It also helps to balance the weakened regulatory cost-control incentives described earlier.

IV. Revenue Requirement Adjustments

For those items that CUB analyzed, we propose the following revenue requirement adjustments. These are in addition to the recommended 1% discretionary cost reduction, as that is intended to capture PGE's lack of cost management throughout the Company as evidenced by the specific costs that we did examine.

A. Generation Excellence Program

As we have shown above, PGE has failed to show that this initiative will lead to customer benefits. Therefore, it should not be eligible for cost recovery.

CUB Exhibit 118 identifies the costs of the Generation Excellence Initiative in the current test year. The costs can be broken down between labor and non-labor costs:

Labor	$
Non-labor	$
Total cost	$

CUB and ICNU are sponsoring an overall labor adjustment through our joint witness, Ellen Blumenthal. We recognize that her overall labor adjustment removes most of the new labor costs that PGE is proposing. If the Commission accepts that adjustment, then an adjustment here is needed only for the non-labor costs. If the Commission rejects her labor adjustment, then we recommend that the Commission remove both the labor and non-labor costs associated with this program.

B. Boardman Simulator

Earlier we demonstrated that PGE's analysis of the Boardman simulator started out vague, made an attempt at cost-justification, and then petered out. The project was demonstrated to be cost-effective based on a ____________________ when it cost $________, but was not shown to be cost-effective when that cost increased to $________.[54]

In UE 198, we intend to recommend that the Commission incorporate the ______ ________________ that was the basis of the Company finding the first $________ of Boardman simulator costs to be cost effective. With that adjustment to Boardman variable costs, CUB believes that the first $________ expense appears to be cost-justified. However, the Company has failed to even attempt to demonstrate that the additional expense is prudent or cost-effective. Therefore, the Commission should disallow all capital costs above $________. The effect is to disallow the addition of approximately $________ to rate base.

C. Customer Focus Initiative

The Customer Focus Initiative is PGE's attempt to enact customer-focused cultural change, yet the Initiative's Design Team Report is not directed toward cost control or operational efficiency at all. In a data response, the Company supports the cost of the Customer Focus Initiative through four "quick hit" examples, improvements such as better coordination between line crews and the storeroom, which saves $5,252 annually.[55] While every little bit helps, that PGE needs a massive cultural change to prompt what appear to be basic process improvements that we would expect of any

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[54] CUB Exhibit 108 at 1. CRG Summary of Boardman Simulator.
[55] CUB Exhibit 105 at 3. Customer Focus Initiative Data Response.

prudent utility is not encouraging. It suggests that PGE has, indeed, been very disconnected from all of the pieces that comprise the Company's operations, and that PGE does need to streamline its operations aggressively.

These are actions that a prudent utility should have been taking all along, and PGE customers should not have to pay PGE extra to get the Company back on track. The Customer Focus Initiative Design Team Report, a guiding document on the Initiative, does not mention managing costs or reducing customer rates. The "quick hit" examples that the Company attributes to the Initiative are the types of opportunities that a prudent utility would have been looking for a long time ago, and are too small to justify the cost of the initiative. Therefore, we recommend that the Commission disallow the entire cost of the Customer Focus Initiative. The cost of this program in the test year is $300,000.[56, 57]

D. Helicopter

As we demonstrated earlier, PGE's analysis that led the Company to purchase a new helicopter was flawed. It was based on helicopter usage of 250 flight hours per year, when PGE's actual usage in 2006 and 2007 averaged only 145 hours per year. In addition, PGE's benchmarking analysis was flawed, because PGE made no attempt to compare its own actual helicopter usage to that of the other utilities being used as benchmarks. That PGE's helicopter usage for transmission and distribution patrols would be like BPA's is not a reasonable presumption.

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[56] CUB Exhibit 105 at 1. Customer Focus Initiative Data Response.

[57] PGE did not itemize labor and non-labor costs of this program. Exhibit 105 shows that these costs include 1 staff position, the Project Manager. If the Commission adopts the ICNU-CUB labor adjustment, this adjustment can be reduced to eliminate the labor portion.

PGE has the burden to show that the Company's decision to purchase a helicopter was prudent, and it has failed to do so. Adjusting PGE's analysis for the helicopter to reflect a more-reasonable annual usage of 150 hours shows that outsourcing the helicopter would have been the least-cost option. As PGE's purchase of a helicopter was not demonstrated to be prudent, the Commission should not permit the Company to add the cost of the helicopter to rate base. This includes the $360,000 cumulative down payments made in 2007 and 2008, and the $2,040,000 to be paid in 2009, for a total of $2.4 million.[58]

For revenue requirement purposes, the Company's revenue requirement should be reduced to remove the difference in costs between owning a helicopter with 250 hours of usage, and outsourcing one at 150 hours of usage. This would lower PGE's helicopter costs by approximately $311,000.

Cost of owning with 250 hours[59]	$813,654
Cost of outsourcing at 150 hours[60]	$502,669
Difference	$310,981

E. Research and Development

The average amount, historical and budgeted, that PGE has spent between 2002 and 2008 on research and development (R&D) is $239,190.[61] In 2008, the Company's R&D budget is consistent with this spending pattern, $256,076; however, PGE's budget for 2009 takes a dramatic and unprecedented leap to $1,995,000.[62]

[58] CUB Exhibit 109 at 5. CRG Summary of Helicopter Analysis.
[59] CUB Exhibit 112 at 1. Helicopter Cost Adjustments. Annual cost in year 1 for Eurocopter.
[60] CUB Exhibit 112 at 1. Helicopter Cost Adjustments. Annual cost in year 1 for Roger's.
[61] CUB Exhibit 119 at 2. R&D Data Response and Calculations.
[62] *Ibid.*

In addition, the explanation for why there was no R&D spending in 2003 is significant. According to the Company:

> PGE did not conduct R&D projects in 2003. Company-wide efforts at cost containment were the driving factor in this decision. In the period 1994 to present, this was the only time where R&D, as a corporate function, was not pursued.

CUB Exhibit 119 at 1. R&D Data Response and Calculations.

When the Company was focused on cost containment, this was a discretionary cost that could be reduced to zero. Today, when the Company is not focused on cost containment, this is a discretionary cost that can increase by 7-fold from the previous year. CUB recommends that the Commission disallow R&D costs in excess of the 7-year average of $239,190. This would reduce R&D costs by $1,756,000.

F. Uncollectible Accounts

PGE is forecasting a $2 million increase in uncollectible accounts.[63] According to PGE, this is based on using a rate for uncollectible accounts based from data over the last 3 years, and then applying that rate to the revenue requirement forecast in this case.[64] PGE's calculation fails to recognize that the Oregon Energy Assistance Program increased the amount of money available to PGE customers for low-income heat assistance by 50% in 2008. Those changes are not reflected in using actual data from the 3 previous years, as that period was before the Oregon Energy Assistance Program increase.

According to a 2006 Oregon Housing & Community Services Report for the Legislative Assembly, provided as CUB Exhibit 120, in 2005 and 2006, PGE provided 58% of the funds for the program. We understand that the money spent is to be spent

[63] UE 197 PGE/700/Hawke/3.
[64] UE 197 PGE/700/Hawke/5.

serving the customers of the utility from which it was raised. In other words, if PGE customers contribute 58% of the funds, then PGE customers receive 58% of the expenditures. The amount of 2008 increase in funds was $5 million, which means that PGE's share of that $5 million is $2.9 million. The bulk of this money will be used to reduce the bills of PGE customers who are struggling to pay their bills. This should, in turn, reduce the need (and cost) to shut off customers who are behind in paying their bills and should reduce the amount that is ultimately considered uncollectible.

Without taking into account this new money which should reduce the uncollectible amount, PGE has failed to show a need to increase the uncollectible expense. CUB recommends that the Commission disallow the proposed $2 million increase in uncollectible accounts.

G. Cost of PGE's Cost of Capital Witness

The parties have reached a settlement in principle on a return on equity of 10.1% for PGE. CUB is a party to and supports that settlement. However, PGE's request for an increased ROE in this case was inappropriate and unnecessary, and, as such, its shareholders should be responsible for the cost of the expert witness the Company hired. The Company's requested ROE serves as an example in microcosm of PGE's corporate culture that appears to be disconnected from the impact on customers of increasing rates to the point of flagrantly wasting money. A considerable amount of PGE's requested increase, filed in late February 2008, stemmed from PGE's requested ROE increase to 10.75%.[65] Just over a year earlier, on January 12, 2007, the Commission issued its

[65] UE 197 PGE Pretrial Brief at 2.

UE 180 Order, granting PGE an authorized return on equity of 10.1%.[66]

The economy is not strong and there has been no apparent upheaval in interest rates over the past year.[67] Yet the Company hired a cost of capital witness to pursue an ROE increase, thereby putting customers in the position of needing to do the same. ROE should never have been an issue in this case, there was no significant economic shift that warranted a 0.65% ROE increase, and the Commission had determined the Company's ROE just one year prior. In addition, PGE itself was assuming "[redacted]," as it described its financial projections to Standard & Poor's in December 2007.[68] As mentioned earlier, the need for this rate case in unclear, but the time and resources for the Company and the other parties is very real indeed, and much of the cost will be borne by ratepayers. PGE's conduct in this case can be compared to Avista. In its most recent rate case, Avista requested an early settlement conference on ROE, to see if the parties could settle that issue, thus avoiding the need for the Company and its customer groups to hire cost of capital witnesses, since the costs of those witnesses are charged to customers.

PGE's time and effort, the cost of PGE's consultant, Staff and the parties' time and effort, and the cost of ICNU and CUB's consultant were all an utter and unnecessary waste. The judgment of PGE management that ROE was an appropriate issue to burn money and resources on in this case is the type of judgment, or lack thereof, that we see being exercised in other financial decisions being made at the Company.

[66] UE 180 OPUC Order No. 07-015 at 47.

[67] As an example, the interest rate for US Treasury 10-Year Constant maturities in 01/2007 was 4.76% and in 01/2008 was 3.74%. The Moody's Seasoned Aaa rate was 5.40% on 01/01/2007 and 5.33% on 01/01/2008; the Baa rate was 6.34% and 6.54% respectively.

[68] CUB Exhibit 103 at 2. PGE Financial Forecasts – S&P Presentation, December 2007.

A utility's test year is built-up by simply escalating many of the costs from previous years. Spending money on a cost of capital witness increases PGE's outside consultants cost, which then gets escalated to set future rates. With this case and UE 180, PGE has had a cost of capital witness for two of the last three years. These are not costs that should recur with any frequency. The Commission should order PGE to reduce its revenue requirement by the full cost of the Company's cost of capital witness in this case.

V. Employee Discount

Though the PGE employee discount is a revenue requirement adjustment, we separate it out, as the policy implications drive our adjustment as much as the cost does.

ICNU-CUB witness, Ellen Blumenthal, recommends elimination of the employee discount.[69] PGE's employee discount serves little useful purpose. PGE does not include this as a benefit when it conducts its compensation studies to determine the level of compensation necessary to attract employees and provide service.[70] The employee discount, therefore, is in addition to the compensation that is necessary to attract employees. Customers should not be required to pay for a cost that is not necessary to the provision of service.

As compensation, the employee discount is problematic, because PGE can only offer it to employees who live in PGE's service territory, but we assume that many PGE employees live in the service territories of adjoining utilities, such as PacifiCorp, Clark

[69] UE 197 ICNU-CUB/100/Blumenthal/14.
[70] CUB Exhibit 121 at 3. PGE Employee Discount Data Responses.

PUD, Columbia River PUD, Salem Electric, City of McMinnville, or the City of Forest Grove.[71]

On a larger scale, it is poor policy to provide such a discount, because it insulates PGE employees from the performance of their company, as manifested in PGE's rates. PGE employees are the ones who have the greatest impact on the cost of their, and our, electricity, so it makes little sense to insulate them from the actions and operations of their company by insulating them from the cost of the electricity that PGE provides. In addition, as demonstrated in PGE's Report on its Customer Focus Initiative, PGE's approach to building a new corporate culture after Enron does not place any emphasis on cost control or efficiency. Requiring employees to pay for their full electric service will create an incentive for efficiency.

Another problem with the PGE employee discount is that it requires customers to subsidize PGE employees. The average income in Oregon in 2007 was $34,784.[72] The average wage for a PGE employee eligible for the discount is $75,764.[73] Requiring people who earn less to subsidize those who earn more makes little economic sense.

In addition, according to PGE, this discount applies to all PGE employees whether they are performing regulated activities related to the provision of electric service or unregulated activities.[74] Requiring customers to subsidize unregulated functions of the Company violates long-standing principles that guide utility ratemaking.

[71] See CUB Exhibit 121 at 1. PGE Employee Discount Data Responses. We asked PGE how many employees would be eligible for the discount but did not receive it, because they did not live in PGE's service territory. PGE's flippant and unhelpful response was that employees who live outside of PGE's service territory are not eligible (yes, the verb tense in our request was incorrect, but the meaning of the question is clear, as demonstrated by PGE's ridiculous response). So, to understand how many employees work in job classifications that are eligible to receive the discount, but do not live in PGE's service territory, will take at least one more follow-up data request.
[72] CUB Exhibit 122 at 1. Per Capita Income.
[73] CUB Exhibit 121 at 5. PGE Employee Discount Data Responses.
[74] *Id.* at 2.

Employee discounts may be a common practice for companies that sell retail products. However, an economically-regulated company operates differently. A regulated utility in Oregon has its costs forecast into the rates that it charges, and the cost of the employee discount has been forecast into the rates that customers pay. A non-regulated company, on the other hand, charges prices that are generally set by the market. This means that, for most companies, having or not having an employee discount will have no impact on prices. In this respect, for most companies, an employee discount is fully incorporated into the earnings of the owners.

While we believe that the discount is poor policy and should be eliminated, we recognize that Oregon law allows PGE to give its employees a discount. However, the law does not require that other customers pay for the cost of this program. If PGE wishes to continue its employee discount, other customers should not be required to pay for it.

VI. Decoupling

PGE proposes a new decoupling mechanism for residential and small business customers (Schedule 7 and 32), and a more-limited lost revenue recovery mechanism for larger customers.[75] The primary difference is that the lost revenue recovery mechanism that applies to larger customers is much more limited in scope. It applies to reductions in load from incremental energy efficiency programs. The decoupling mechanism that applies to residential and small business customers would apply to reductions of load from a variety of causes, including the effect of a recession on load.

PGE describes the purpose of its decoupling mechanism:

> It is a simple and straightforward cost recovery "true-up" adjustment mechanism that removes the financial disincentives we experience when

[75] UE 197 PGE/1200/Kuns-Cody/28-31.

> we support efforts to encourage customers to pursue energy efficiency. The disincentives are manifest through reduced energy usage that lowers PGE's revenues, particularly revenues to cover the fixed costs of PGE's operations. Decoupling mechanisms are necessary because the traditional regulatory model and pricing structures cause earnings to fall when customers conserve energy …
>
> The disincentives we note are not hypothetical. For example, if PGE's residential customers reduce loads by just 0.5% per year, we estimate lost margins of approximately $2 million in the first year and growth by an equal amount each year (without a general rate case).

UE 197 PGE/100/Piro/18-19.

CUB does not agree that the mechanism PGE has proposed here is simple or straightforward. In addition, citing a hypothetical example to show that the disincentive is not hypothetical is illogical, and the disincentive is hypothetical in the case of a utility with load growth projected in the future.

Decoupling institutes a significant shift in risk from shareholders to customers. PGE seems to agree that this mechanism will take costs that currently fall on shareholders and shift them to customers:

> … the existing regulatory structures leave utility shareholders absorbing costs while society and customers gain the long-term benefits of expanding energy efficiency efforts.

UE 197 PGE/100/Piro/18.

Oregon experimented with decoupling for its regulated electric utilities in the 1990s, and in recent years implemented decoupling for gas utilities. CUB supported the 1990s mechanisms and the gas mechanisms, and our experience with decoupling shows that the PGE proposal should be rejected.

First, we need to recognize that decoupling mechanisms are not fine-tuned regulatory tools that apply solely to energy efficiency. They are broad regulatory mechanisms that apply generally to changes in load (in this case PGE exempts weather-related load changes). When load is less than forecast, a utility will sometimes under-recover its costs. Decoupling is a way to ensure that utility profits do not decline when there are changes in load. The word “decoupling” comes from this concept: to decouple utility profits from the volume of sales.

Utilities almost always propose decoupling under the auspices of addressing their disincentive to pursue energy efficiency programs. The risks that decoupling shifts, however, are more numerous than simply this. For example, one significant risk that is removed from the utility and placed onto customers is the risk of a recession. When a recession hits our economy, loads tend to be less than forecast and this reduces the revenue collected by a utility (utilities are not unique, in that many businesses have their sales volume decline during a recession). With decoupling in place during an economic downturn, however, a surcharge would be added to customers’ bills to ensure that utilities earned the same profit they would have earned if loads hadn’t declined. It insulates the utilities from the effect of an economic downturn, but raises customers’ rates at a time when customers can least afford it.

We acknowledge that decoupling can change a utility’s perspective on energy efficiency. A utility that runs its own energy efficiency programs, without decoupling, can have an incentive to run those programs poorly so they do not actually reduce loads or profits. However, our experience with decoupling in the 1990s shows that there is limited impact to removing the disincentive to pursue energy efficiency. We tried decoupling with electric utilities in the 1990s, and energy efficiency programs were cut anyway.

CUB did support the natural gas utilities' requests for decoupling over the last few years, but we did so having learned from our experience. From what we saw in the 1990s, removing the disincentive through decoupling is not sufficient. To be effective, decoupling must be directly linked with tangible and quantifiable energy efficiency programs that are operated independently of the utility. In the case of the recent natural gas utility decoupling mechanisms, the utilities provided proposals that allowed decoupling while creating significant new energy efficiency programs. Though decoupling shifts risks and creates additional costs for customers, those risks and costs were, in the gas utilities' cases, offset by new energy efficiency benefits that were directly provided to customers at the same time.

In the case of PGE, there is no proposal for any new programs that provide benefit to customers. Customers get new costs and risks, but no new benefits. Instead PGE suggests that, if we remove these disincentives, sometime in the future there may be additional programs.[76] This is nearly identical to the promises we received in the 1990s.

There is a significant difference from the 1990s, however, and that is the creation of the Energy Trust of Oregon. Oregon has taken energy efficiency programs out of the hands of the utilities. Utility incentives or disincentives will have no impact on the quality of the Energy Trust's energy efficiency programs, as the Energy Trust is independent of the utilities. PGE recently agreed to add some incremental funding to the Energy Trust's programs. We discussed these funding changes for months with PGE, and PGE made clear that the trade-off the Company wanted was to be able to add staff at PGE to support these programs. Until PGE filed the programs in December, the

[76] UE 197 PGE/1200/Piro/19.

Company never linked the expansion of these programs to changing its incentives, and, in fact, was willing to go forward with these programs without decoupling.

As for PGE's hypothetical example of what happens if residential customers cut their usage by "just 0.5%," it is a hypothetical example. First, it should be noted that customers cutting their usage by "just 0.5%" will have no effect on PGE, if that load reduction is contained in PGE's load forecast. At a time of frequent rate cases, PGE can forecast Energy Trust savings and avoid any "lost margins." Second, in its June presentation to investors, PGE stated that its load has been growing and that the Company projects its load to continue to grow.

> As a result of steady state population growth, PGE has achieved compounded annual customer growth and load growth of 1.6% since the end of 2003 … PGE's retail load is expected to grow consistently …

CUB Exhibit 102 at 6. PGE Presentation - Analyst Day, June 2008.

Even with our current efficiency programs, PGE is projecting load growth. This means that each year there will be more customer revenue to support the recovery of fixed costs, not less. If residential load decreased by "just 0.5%," PGE would see its profits go down, but PGE is projecting an increase in residential customers and load, even with the current and incremental energy efficiency programs.

In addition to CUB's experience with, and the theory of, decoupling, there are three reasons, that are pertinent to this case, that make decoupling inappropriate.

1. PGE's proposal locks-in a certain amount of fixed-cost recovery per customer. To the degree that PGE is not an efficient company, this locks-in the inefficiency. Earlier, we noted that PGE spends more than twice what PacifiCorp does on customer service and information for its Oregon customers. Before the Commission adopts decoupling for PGE, it needs to be convinced that PGE has gained all the efficiencies it can out of its operations.

2. PGE is beginning a capital investment phase that it projects will double its rate base. PGE is projecting ________________________________.[77] During a period of frequent rate cases, decoupling for energy efficiency purposes is not needed, because the results of that efficiency will be incorporated in the new load forecasts. It is only when there will be a number of years between rate cases, so that the effect of energy efficiency programs on load does not get regularly updated, that decoupling makes sense.
3. The economy is heading into a recession, the duration and depth of which is unknown. Now is not a good time to shift the risk and cost of a recession onto customers.

In the past, CUB has supported decoupling proposals, but we urge the Commission to reject PGE's proposal. CUB's position on decoupling has been consistent for several years. Decoupling shifts costs and risks onto customers. A decoupling mechanism should only be adopted when the shift of risk to customers is offset by new programs that measurably benefit customers. NW Natural and Cascade got our support for decoupling by sitting down with us and designing new energy efficiency programs that provide tangible customer benefits.

CUB is not opposed to decoupling. We oppose <u>this</u> decoupling proposal. In the future there will be additional rate cases and opportunities to design a decoupling proposal for PGE. If PGE can convince us that it has a company culture that seeks and rewards cost control, that it can effectively and efficiently run programs, and that the Company can offset the increased risks and costs with quantifiable new benefits, then the Company can convince us to support decoupling. In this filing, however, it is not even a close call.

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[77] CUB Exhibit 103 at 2. PGE Financial Forecasts – S&P Presentation, December 2007.

VII. Pricing – Sherman County Cost Was Incorrectly Classified

PGE proposes to increase corporate communications and public affairs by 50% from 2007 to 2009 due to the Sherman County Strategic Investment Program, which lowers the cost of property taxes.

> The $700,000 increase in corporate communications and public affairs costs from 2007 to 2009 (i.e., a 50% increase from $1.4 million to $2.1 million) is attributable to the Sherman County Strategic Investment Program (SIP) Payments as described in PGE Exhibit 500, Page 14. PGE applied the SIP costs to public affairs and they ultimately result in lower property taxes than would otherwise have been incurred for Biglow Canyon 1. Mr. Piro, Mr. Dahlgren and Mr. Hager had final approval.

CUB Exhibit 123 at 1. Data Responses re: Sherman County.

If this cost is really being caused by Sherman County and Biglow Canyon, then it should be functionalized to generation and spread to customers based on the marginal cost of generation; instead, it is functionalized 25.8% to generation, 42.5% to distribution, and the rest to other categories.[78]

VIII. Conclusion

We recommend that the Commission:

- Adopt the labor adjustment proposed by Ellen Blumenthal in ICNU-CUB/100.
- Impose a 1% of overall revenue requirement cost reduction, approximately $17 million, in light of PGE's lack of rigorous financial analysis and the Company's lack of aggressive cost management.
- Remove the costs associated with the Generation Excellence Program, which PGE has failed to justify. If the Commission accepts Ms. Blumenthal's labor recommendation, it should remove the non-labor portion of the Generation Excellence Program, $______. If the Commission rejects Ms. Blumenthal's

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[78] CUB Exhibit 123 at 3.

labor adjustment, then we recommend that the Commission remove the total cost of this program, $________.

- Since PGE could only justify the first $__________ associated with the Boardman simulator, the Commission should disallow the additional $__________ from rate base. This adjustment is based on the presumption that the Boardman forced outage rate benefit from the first $__________ investment is incorporated in customers' rates through UE 198. If this does not happen, then the entire cost of the Boardman simulator should be disallowed.
- The Customer Focus Initiative is an attempt to develop a new corporate culture at PGE, but that culture has no focus on efficiency or cost control. PGE has failed to identify how customers benefit from this program, and the Commission should remove the $300,000 associated with it from rates.
- PGE's analysis of its helicopter purchase was flawed in its basic assumptions. Correcting those flaws demonstrates that the new helicopter is not cost-effective. The Commission should remove the helicopter from rate base and reduce PGE's helicopter costs by $311,000.
- In light of the rise in energy costs, PGE's 7-fold increase in its R&D budget is not justified. The Commission should cut it by $1.8 million to return it to its historical average.
- PGE projects a $2 million increase in uncollectible accounts, but failed to take into account the 50% increase in the Oregon Energy Assistance Program. The Commission should reject PGE's increase.
- PGE wasted money on a cost of capital consultant when the Commission had set PGE's return on equity only one year earlier. The Commission should remove the cost of this witness from PGE's budget for outside services.
- PGE's employee discount is not justified as employee compensation, it insulates the people who can actually improve PGE's operations from the rates that result from those operations, and forces some customers to subsidize other customers. The Commission should not allow PGE to charge the costs of this program to customers.

- PGE's decoupling proposal shifts costs and risks to customers without any offsetting benefit, and should be rejected.
- PGE inappropriately functionalized some costs that are associated with Biglow Canyon and Sherman County. These generation-related costs should be functionalized to generation.

UE 197 - CUB List of Exhibits

Conf	Exhibit	
	101	Bob's Qualifications
	102	PGE Presentation - Analyst Day, June 2008.
conf	103	PGE Financial Forecasts & Rating Agency Presentation
	104	Capital Expenditure Rate Impact Data Response
	105	Customer Focus Initiative Data Response
	106	Customer Focus Initiative Design Team Report
	107	Boardman Simulator Data Response
conf	108	CRG Summary of Boardman Simulator
	109	CRG Summary of Helicopter Analysis
	110	Helicopter Operations Reports 2006-2007
	111	Helicopter Flight Hour Adjustment
	112	Helicopter Costs & Outsource Adjustment
	113	Helicopter Flight Hours in UE 197 and UE 180
	114	Cost Management Data Responses
	115	Generation Excellence Presentation
	116	Generation Excellence Data Response
conf	117	Generation Excellence Presentation to Board
conf	118	Generation Excellence Costs
	119	R&D Data Response & Calculations
	120	OHCS Report to Legislature
	121	PGE Employee Discount Data Responses
	122	Per Capita Income
	123	Data Responses re: Sherman County

WITNESS QUALIFICATION STATEMENT

NAME:	Bob Jenks
EMPLOYER:	Citizens' Utility Board of Oregon
TITLE:	Executive Director
ADDRESS:	610 SW Broadway, Suite 308 Portland, OR 97205
EDUCATION:	Bachelor of Science, Economics Willamette University, Salem, OR
EXPERIENCE:	Provided testimony or comments in a variety of OPUC dockets, including UE 88, UE 92, UM 903, UM 918, UE 102, UP 168, UT 125, UT 141, UE 115, UE 116, UE 137, UE 139, UE 161, UE 165, UE 167, UE 170, UE 172, UE 173, UG 152, UM 995, UM 1050, UM 1071, UM 1147, UM 1121, UM 1206, and UM 1209. Participated in the development of a variety of Least Cost Plans and PUC Settlement Conferences. Provided testimony to Oregon Legislative Committees on consumer issues relating to energy and telecommunications. Lobbied the Oregon Congressional delegation on behalf of CUB and the National Association of State Utility Consumer Advocates. Between 1982 and 1991, worked for the Oregon State Public Interest Research Group, the Massachusetts Public Interest Research Group, and the Fund for Public Interest Research on a variety of public policy issues.
MEMBERSHIP:	National Association of State Utility Consumer Advocates Board of Directors, Environment Oregon Research and Policy Center Telecommunications Policy Committee, Consumer Federation of America Electricity Policy Committee, Consumer Federation of America

Analyst Day

June 2008

Portland General Electric

Introduction

Portland General Electric

William J. Valach
Director, Investor Relations

Cautionary Statement

Information Current as of May 7, 2008

Except as expressly noted, the information in this presentation is current as of May 7, 2008 - the date on which PGE filed its Quarterly Report on Form 10-Q for the period ended March 31, 2008 - and should not be relied upon as being current as of any subsequent date. PGE undertakes no duty to update the presentation, except as may be required by law.

Forward-looking Statements

This presentation contains statements that are forward-looking within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are statements of expectations, beliefs, plans, objectives, assumptions or future events or performance. Words or phrases such as "anticipates," "believes," "should," "estimates," "expects," "intends," "plans," "predicts," "projects," "will likely result," "will continue," or similar expressions identify forward-looking statements. The forward-looking statements in this presentation include, but are not limited to, statements concerning continued growth of the Oregon economy and PGE's retail load; statements concerning changes in PGE's energy portfolio; statements concerning estimated future capital expenditures; statements concerning final review of the deferral of excess power costs for the Boardman Plant outage; statements concerning the outcome of the 2009 general rate case; statements concerning completion of the Advanced Metering Infrastructure (AMI) project, Phases II and III of the Biglow Canyon Wind Farm project, and other capital projects, and statements concerning the cost savings and other benefits expected to result from deployment of such projects; statements concerning the recovery of costs through future rate increases; and statements concerning earnings guidance, long-term earnings growth and future dividend payouts.

Although PGE believes that the expectations reflected in any forward-looking statements are based on reasonable assumptions, PGE can give no assurance that its expectations will be attained. Factors that could cause actual results to differ materially from those contemplated include, among others, events related to governmental policies; the outcome of legal and regulatory proceedings; the costs of compliance with environmental laws and regulations, including those that govern emissions from thermal power plants; changes in weather and hydroelectric conditions; changes in energy market conditions and wholesale energy prices, which could affect the availability and cost of fuel or purchased power; final review of the deferral of excess power costs relating to the Boardman plant outage; operational factors affecting PGE's power generation facilities; changes in the size and demographic patterns ofh PGE's service territory; general political, economic, and financial market conditions; and other factors that might be described from time to time in PGE's filings with the Securities and Exchange Commission. Prospective investors should also review the risks and uncertainties listed in the Company's most recent Annual Report on Form 10-K and the Company's reports on Forms 8-K and 10-Q filed with the Securities and Exchange Commission, including Management's Discussion and Analysis of Financial Condition and Results of Operations and the risks described therein from time to time.

Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by law, PGE undertakes no obligation to update any forward-looking statement.

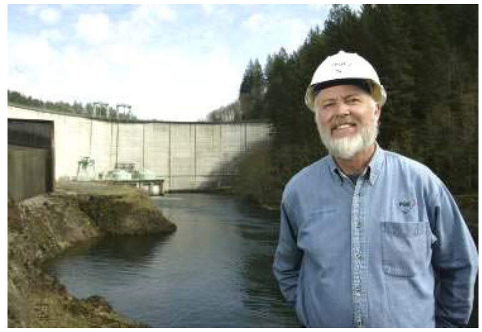
Oregon: Things Look Different Here

Peggy Fowler

Chief Executive Officer & President

Portland General Electric

Things Look Different Here



Strategy for Success

Portland General Electric is a well-capitalized, stable company with on-going growth opportunities

Stability
- Vertically integrated, regulated business
- Strong balance sheet/ credit ratings
- Diversified power supply
- Experienced management team
- Fair and balanced regulatory environment

PGE

Growth
- Strong load and customer growth
- Necessary and prudent regulated rate base investment opportunities
- Earnings and dividend growth

Mission: To be a company our customers and communities can depend upon to provide electric service in a safe, responsible and reliable manner, with excellent customer service, at a reasonable price.

Investment Case

PGE offers strong fundamentals:

- $2.3 billion Capital Expenditure Program 2008-2012
- 10.1% ROE on 50% equity capital structure
- Constructive regulatory environment
- High-performing generation and well-maintained system
- 6 to 8% earnings growth over the long term
- Dividend payout ratio of approximately 60% over the long term

Proactive Regulatory Strategy

Oregon Public Utility Commission

- Governor-appointed Commission with staggered four-year terms (Lee Beyer 3/2012, Ray Baum 8/2011, John Savage 3/2009)
- Rates set based on a forward test year

PGE's Approach to Regulation

- Communicate constantly; no surprises
- Commission understands issues; participates in crafting solutions; always working toward settlement
- Keep an eye on total result: must be reasonable, in context

Deregulation

- Oregon's approach allows direct access for industrial and commercial customers beginning March 2002
- PGE essentially economically neutral to customers choosing direct access
- Largest customers have choice — in 2008 approximately 13% of total energy was served by independent, energy services suppliers

People Development

Continuously develop people at all levels

Build organizational competence for replenishing the talent pipeline to meet future needs

Strengthen and develop management through Management Excellence Initiative

Providing Reliable Service to a Growing Customer Base

Steve Hawke

Senior Vice President, Customer Service & Delivery

Portland General Electric

Dynamic Operations Area

4,000-square-mile operations area

807,000 average customers

1.6 million people, 43% of Oregon's population

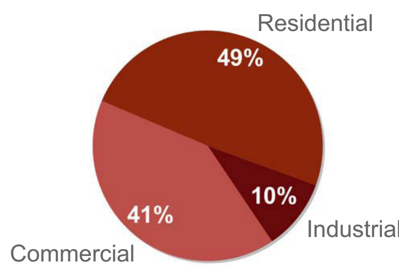
52 cities served (Portland and Salem are the largest)

Attractive and Growing Customer Base

Statistics by Customer Group[1]

	Customers	2007 Retail Sales ($ mm)	Energy Deliveries (000s of MWhs)
Residential	706,444	$716	7,688
Commercial[2]	97,088	593	7,781
Industrial[2]	256	147	4,158
Total	**803,788**	**$1,456**	**19,627**

Revenues by Customer Group



- Growth in Oregon's economy is expected to require further investment by PGE to meet increased energy demand:
  - Population growth in Portland and Salem exceeds rest of state (core operational areas for PGE)
  - Population growth in Oregon exceeds United States (1.5% vs. 1.0% from 2006-2007)
- No single customer accounts for more than 4% of retail revenues
- As a result of steady state population growth, PGE has achieved compounded annual customer growth and load[3] growth of 1.6% since the end of 2003

(1) Year-end data sourced from PGE's 2007 10-K.
(2) Includes revenues and MWhs for Direct Access Customers.
(3) Adjusted for weather and certain industrial customers.

Attractive and Growing Customer Base

PGE's outstanding power quality and reliability are essential in helping Oregon businesses thrive and grow

Solar World

Schnitzer Steel

Intel

Well-Maintained & High-Quality Utility System

PGE strategically makes on-going infrastructure investments in order to ensure a high level of system reliability, safety and customer satisfaction

- Invested more than $775 million in the last five years on system upgrades to transmission, distribution and existing generation

2007 Customer Survey Results

- Customer satisfaction:
  - Top quartile for residential customers[(1)]
  - Top decile for general business customers[(1)]
  - Top quartile for key customers[(2)]
- Reliability:
  - Top decile for residential and general business customers[(1)]
  - Top quartile for key customers[(2)]

(1) Source: Market Strategies, Inc. (2007).
(2) Source: TQS Research (2007).

Continuous Improvement

Customer Focus Initiative

- Continuous process improvements focused on improving customer interactions and cost efficiencies to achieve increased customer satisfaction

Web Site Redesign

- Improve customer interface on the Internet

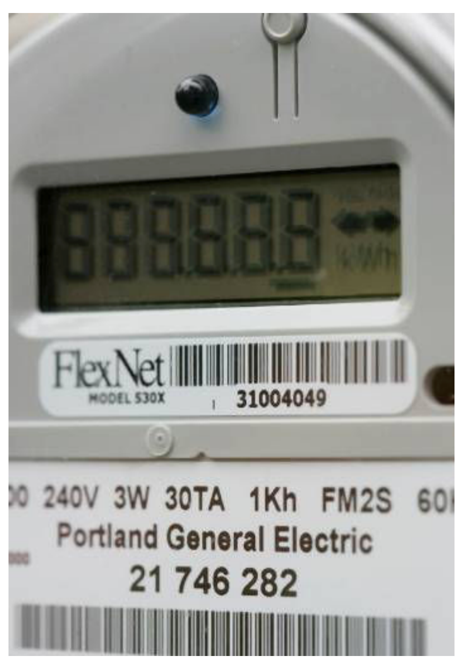
Professionalism Development

- Engage line crews in workforce development and succession planning

Vibrant Vision of the Future

Smart Metering

- Provides two-way exchange with residential and commercial customers
- Real-time communications
- Looking into the future, PGE could enable smart meters to implement demand response and direct load control programs
- Estimated project cost of $130 million to $135 million
- $18 million in annual operational savings projected by 2011



Vibrant Vision of the Future

Solar Power
- Potential for PGE to incorporate solar energy into resource portfolio:
  - Help customers develop individual solar projects
  - Install large solar arrays at an existing PGE generating site

Dispatchable Standby Generation
- 47 MW available currently
- Potential for additional 36 MW by 2009

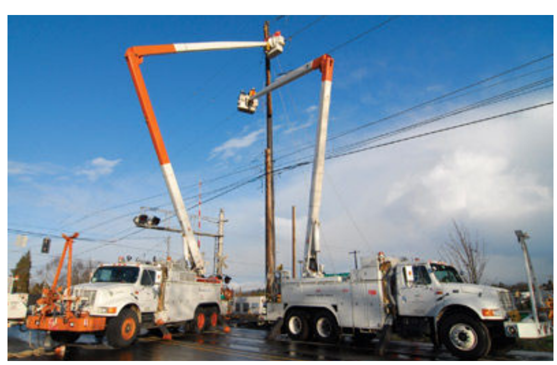
Southern Crossing
- Evaluating opportunity for PGE to help create new transmission line:
  - Interconnection of Boardman, Coyote Springs and Biglow Canyon plants and other resources
  - 500 kV single circuit, approx. 225 miles

Summary

Solid transmission and distribution system

Outstanding operational excellence

Highly skilled workforce



Managing a Diverse Power Supply Portfolio

Stephen Quennoz

*Vice President,
Nuclear, Power Supply
& Generation*

Portland General Electric

Uniquely Situated For Success

Diverse Portfolio
- Hydro
- Wind
- Natural gas
- Coal
- Purchased power

Continuous Improvement
- Generation Excellence
- Labor agreement

Excellent Asset Management
- Capital investments have added 108 MW of additional capacity

Diverse Mix of Resources — Hydro

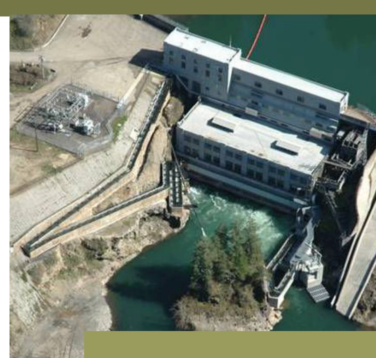

Pelton


Round Butte

Deschutes River Projects
298 MW Net Capability

Diverse Mix of Resources — Hydro


Sullivan


River Mill


Faraday

Clackamas & Willamette River Projects
190 MW Net Capability


Oak Grove


North Fork

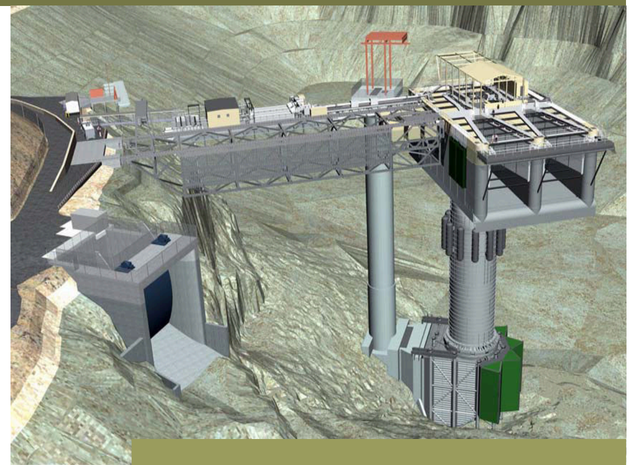
Selective Water Withdrawal Update

Meet water quality standards for lower river & project reservoirs

- Temperature
- pH
- Dissolved oxygen

Provide a downstream fish passage system

Screen 100% of powerhouse flows



Selective Water Withdrawal

Schedule

• Begin construction	September 2007
• Complete construction	December 2008
• Start up	March 2009
• Operational	April 2009

Diverse Mix of Resources — Natural Gas

Coyote Springs

234 MW Net Capability

Beaver

505 MW Net Capability

Port Westward

406 MW Net Capability

Diverse Mix of Resources — Coal

Boardman

380 MW Net Capability

Colstrip 3 & 4

296 MW Net Capability

Boardman BART Update

Best Available Retrofit Technology (BART) for compliance with EPA Regional Haze Rule

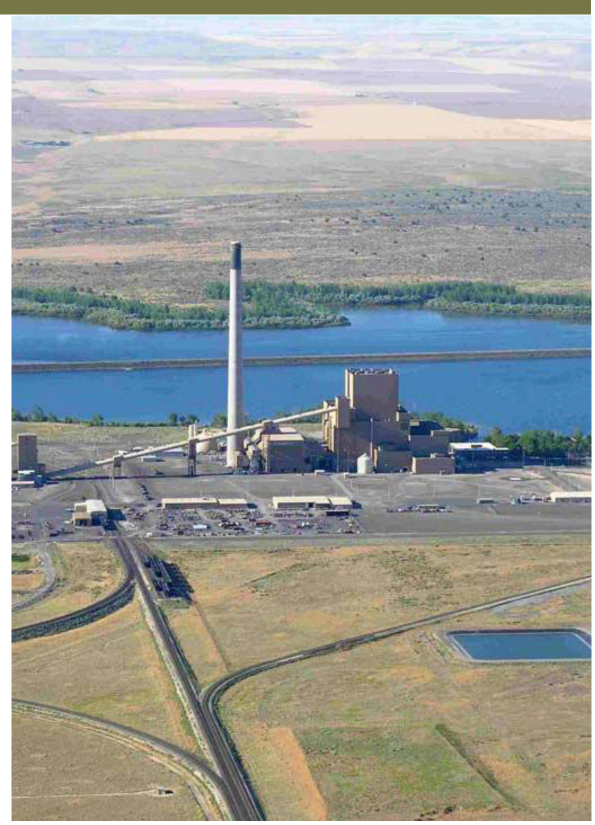
Current BART proposal:
$300 to $400 million(1)

Alternative proposals:
$470 million to $620 million(1)

Preliminary schedule:

• Public notice on rule	November 2008
• EQC decision on BART	February 2009
• PGE issue draft IRP	June 2009
• EPA approval	July 2009
• PGE issue final IRP	August 2009
• IRP acknowledgement	March 2010

Installation of controls scheduled to be complete by 2014



(1) 100% of estimated cost.

Port Westward Update

One of the most efficient combined-cycle power plants in the nation

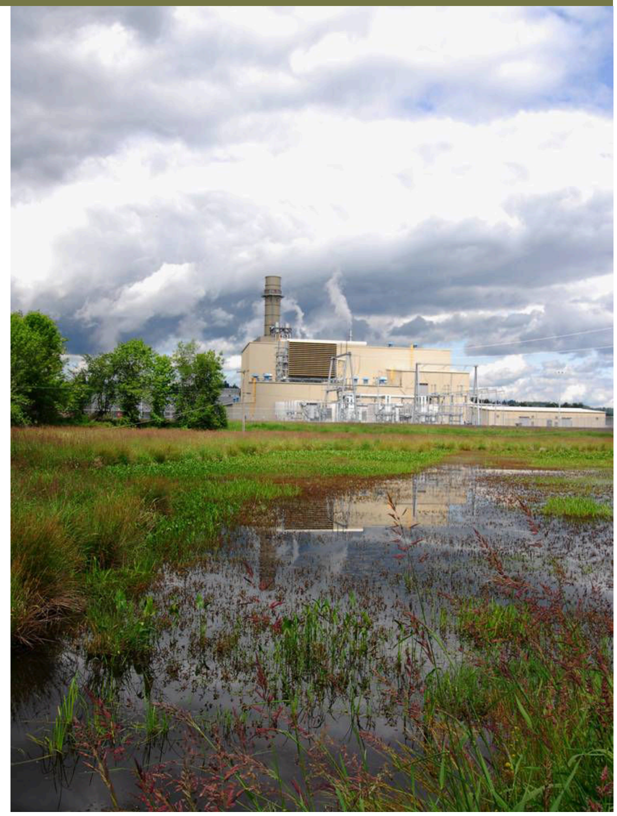
Net capability: 406 MW

Mitsubishi 501G1 (first in U.S.)

Heat rate: 6,690 Btu/kWh

Steam-cooled combustors

Operational: June 2007



Diverse Mix of Resources — Wind

Biglow Canyon Wind Farm I

Klondike II

Biglow Phase I

Commercial:	December 2007
Total capacity:	125 MW
Turbines:	76
Vendor:	Vestas (1.65 MW)

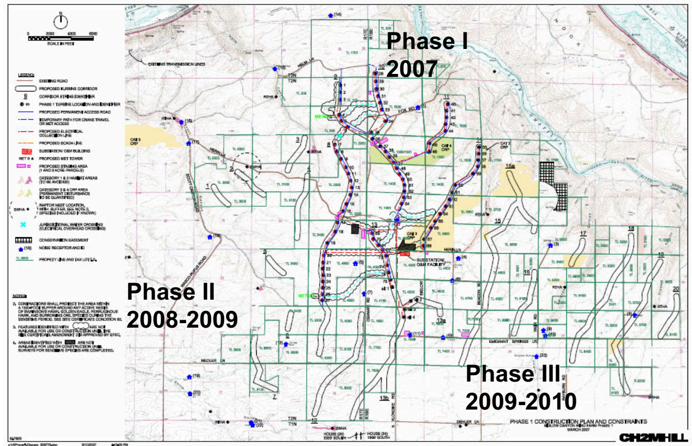
Opportunities for Future Growth

Biglow Canyon II

• Turbines	65
• Vendor	Siemens
• Total capacity:	150 MW
• Construction start:	June 2008
• Commercial:	2009

Biglow Canyon III

• Turbines	76
• Vendor:	Siemens
• Total capacity:	175 MW
• Construction start:	July 2009
• Commercial:	2010



Estimated cost is $740 million to $780 million (includes AFDC)

2008 RFP for up to 218 MWa of renewable resources

Expect benchmark self-build energy and capacity proposals to be bid into next RFP

Project Management: Exceeding Expectations

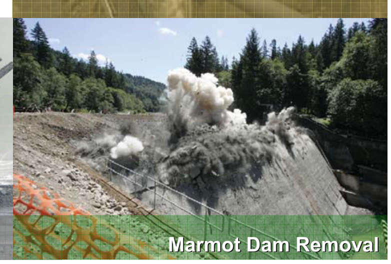
- **Port Westward**
  - *2008 Best Practices Award* (Combined Cycle Journal)
- **Biglow Canyon Wind Farm Phase I**
- **Willamette Falls/Sullivan Flow Control**
- **Pelton Round Butte Selective Water Withdrawal**
- **River Mill Fish Ladder**
  - *2008 Aon Build America Award*
- **Marmot Dam**
  - *Grand Engineering Excellence Award* (American Council of Engineering Companies of Oregon)
- **Trojan Decommissioning**
  - *International Project of the Year Award* (Project Management Institute)
- **Boardman Power Plant**
  - *Most Improved Power Plant in the Nation* (FOMIS)


River Mill Fish Ladder

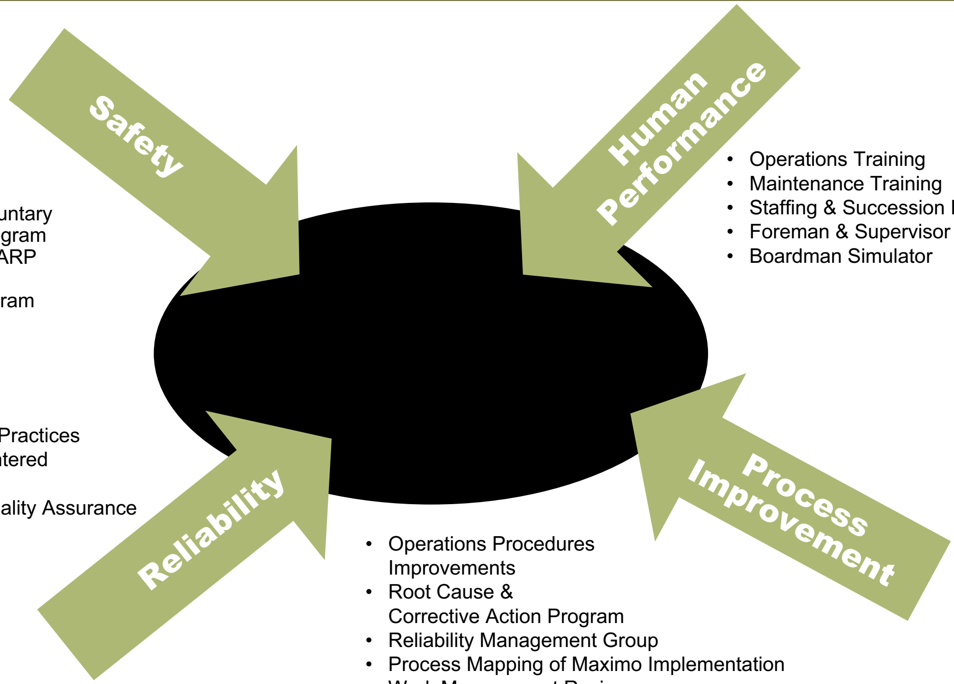

Sullivan Flow Control


Biglow Construction


Trojan Decommissioning


Marmot Dam Removal

Generation Excellence



Safety
- OR-OSHA Voluntary Protection Program
- OR-OSHA SHARP Certification
- SafeStart Program

Human Performance
- Operations Training
- Maintenance Training
- Staffing & Succession Planning
- Foreman & Supervisor Training
- Boardman Simulator

Reliability
- Industry Best Practices
- Reliability Centered Maintenance
- Contractor Quality Assurance

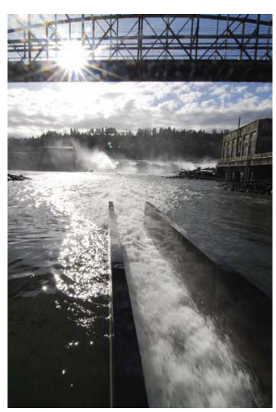
Process Improvement
- Operations Procedures Improvements
- Root Cause & Corrective Action Program
- Reliability Management Group
- Process Mapping of Maximo Implementation
- Work Management Review

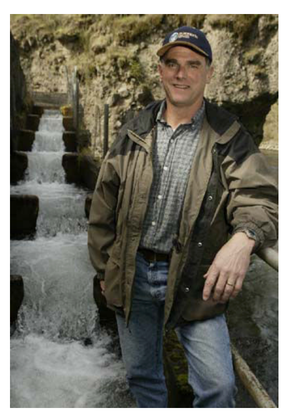
Summary

Diverse portfolio of resources

History of continuous improvement

Excellent asset management





Managing the Portfolio to Meet Customers' Energy Needs

Jim Lobdell

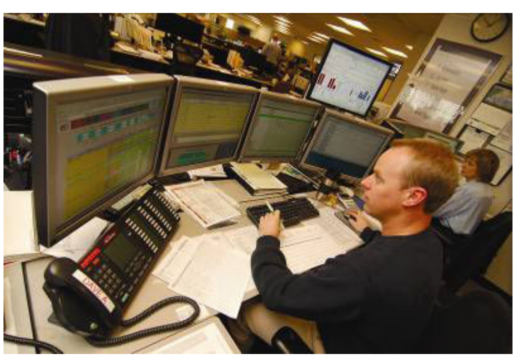
*Vice President,
Power Operations &
Resource Strategy*

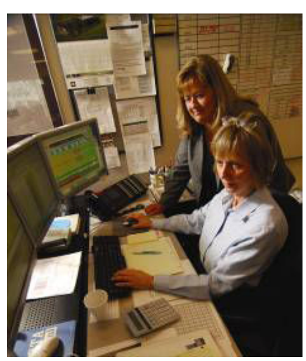
Portland General Electric

Power Supply Strategy

Manage power supply operations

- Capitalize on PGE's assets and position in the marketplace
- Meet load in most economic fashion to lower costs to customers
- Manage and monitor risks with appropriate systems and processes to assure strategy is implemented prudently



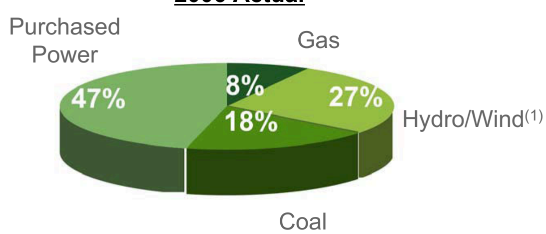


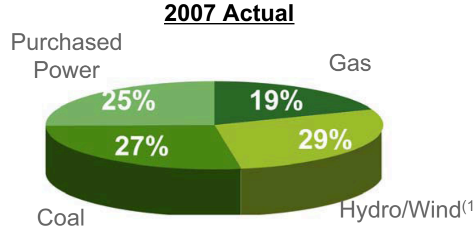
Communication is one of the keys to our strategy

Meeting Retail Energy Needs

Meeting Retail Energy Needs

Power Sources as % of Retail Load



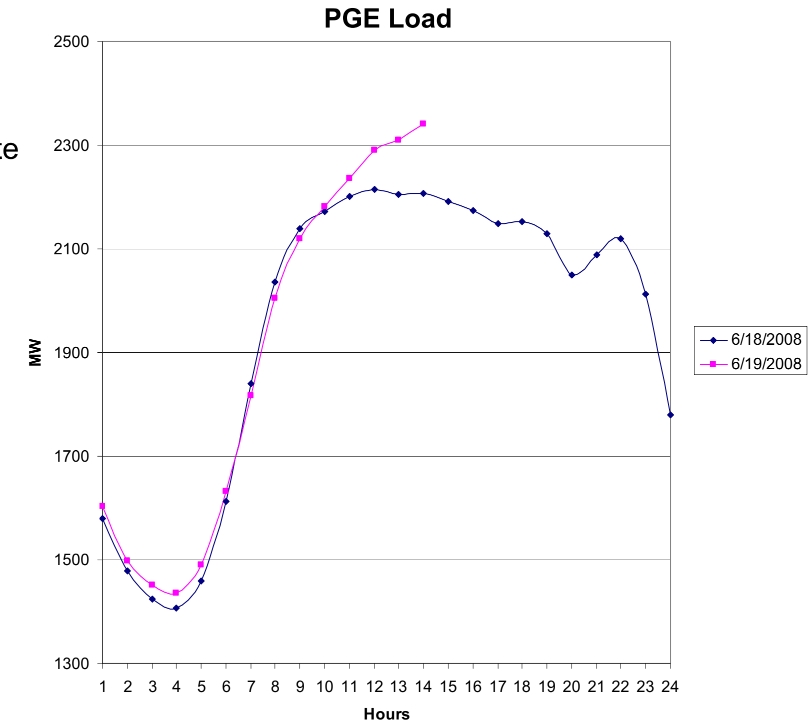


(1) Includes purchased power from hydro contracts and the Klondike II wind contract.

Meeting Retail Energy Needs

Load following

Meeting customers needs minute by minute — hour by hour

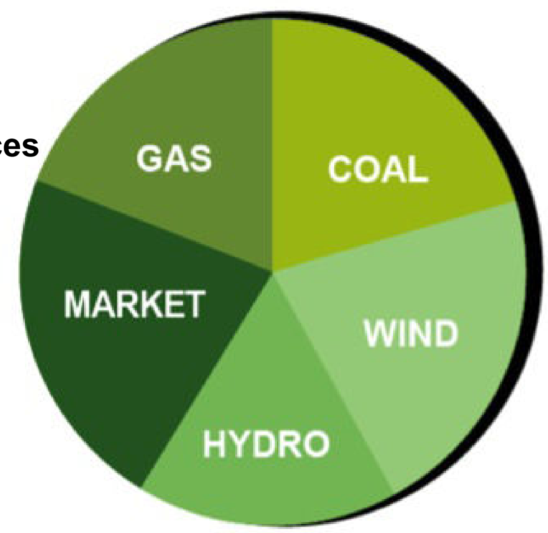


Robust Supply Portfolio

Diverse fuel sources

Market access

Actively managed

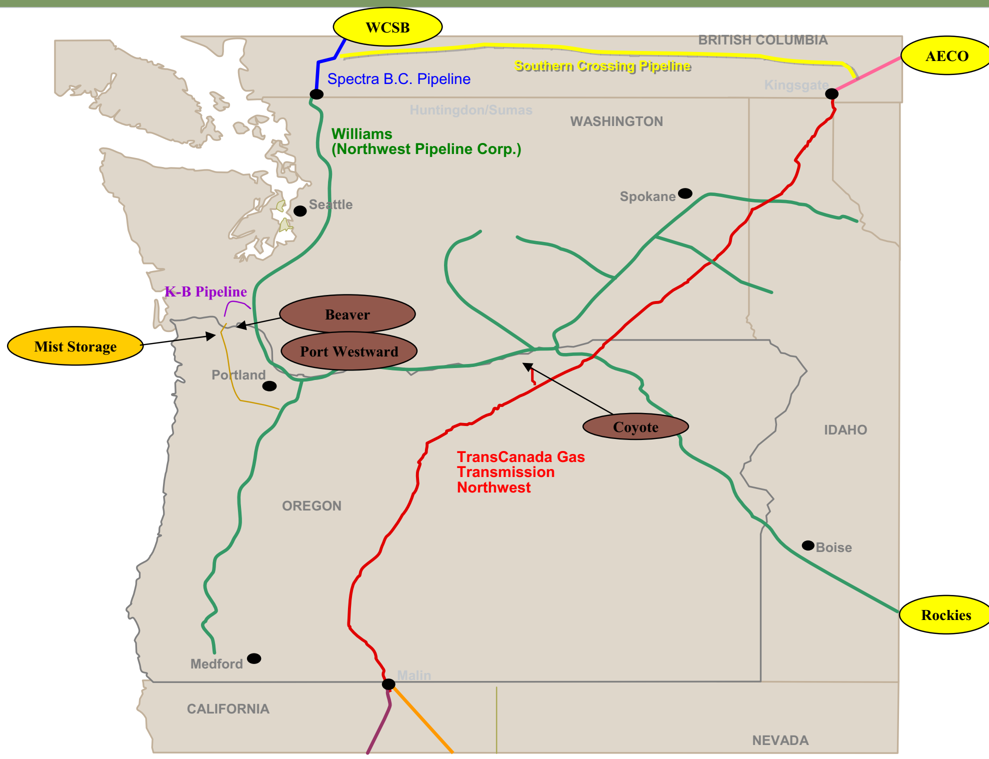


Diverse generation technology

Flexible dispatch

Reliable

Natural Gas Transportation



Boardman Coal Supply and Transportation

Ability to secure and deliver coal from Powder River Basin (Wyoming) and Montana

Multiple mine sources and delivery options provide reliable and competitive pricing

Secured rail contract through 2013, and currently completing an RFP for post-2008 supply

[redacted]

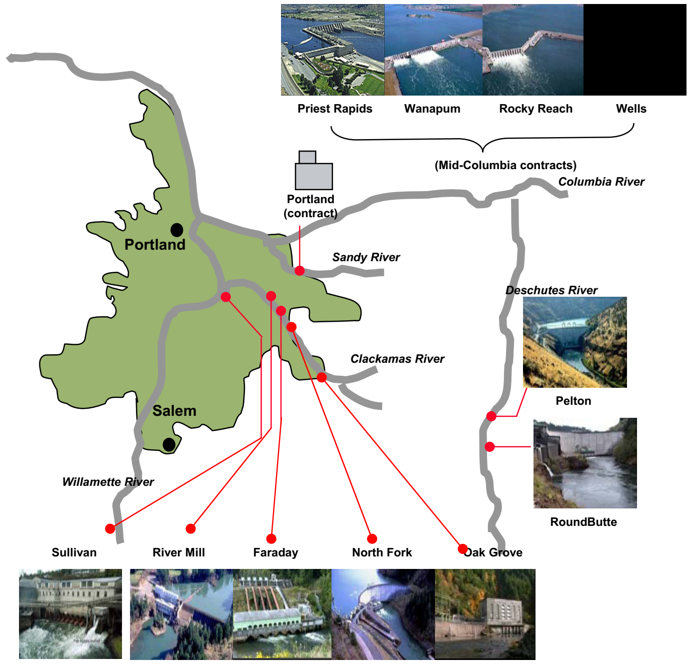
Hydro Supply

Diversity of river systems

- 12 plants on 5 river systems
  - 7 owned, on 3 rivers
  - 5 contract, on 2 rivers

High reliability

- 99%+ availability

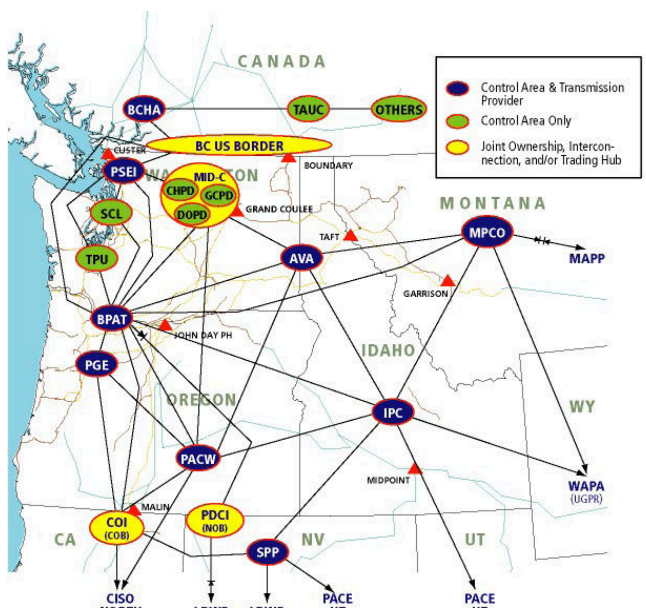


Strategic Location Within Western Grid

Access to liquid Western trading hubs

Sufficient rights to meet 1:2 peak requirement

Exploring opportunities for new transmission to meet demand and access new resources



Portfolio Management Horizon

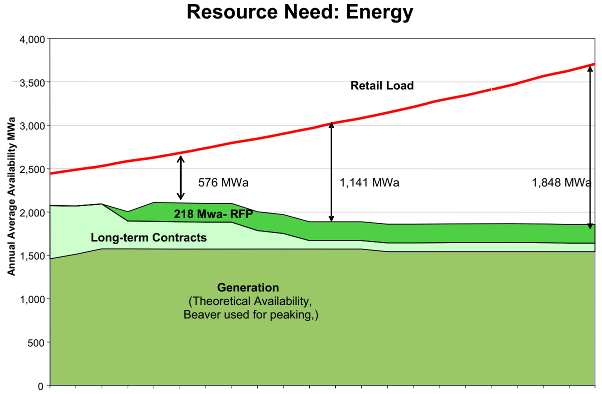
[redacted]

Generation Growth Opportunity

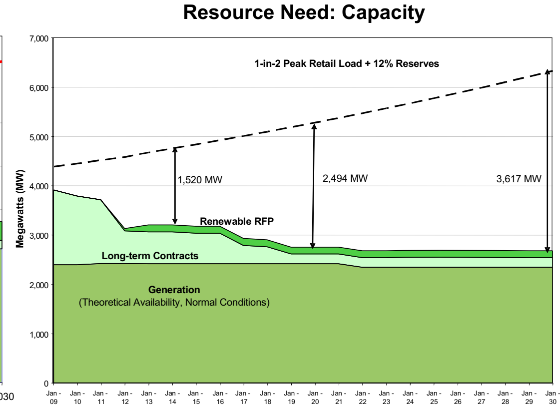
Load Growth

PGE's retail load is expected to grow consistently while selected long-term power purchase contracts expire, driving need for additional generation capacity

Resource Need: Energy



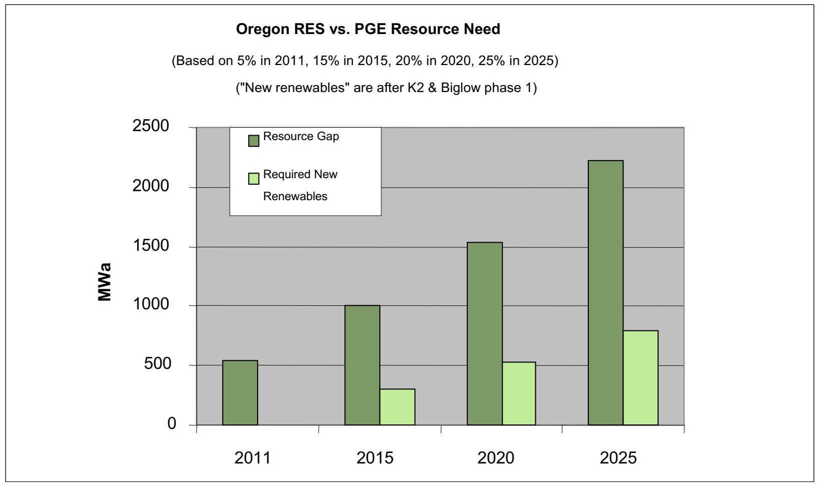
Resource Need: Capacity



Retail load = Net System load – 5-yr opt out (about 30 MWa).

Renewables and Reducing the Carbon Footprint

Approximately 33% of the company's resource acquisitions between now and 2025 will need to be renewables to meet RES requirements



Summary

Growing demand creates investment opportunity

New resources further portfolio diversity

Opportunities for customer participation through efficiency and demand-response

Continued flexibility to capture value for customers and shareholders

Financial Overview

Jim Piro

Executive Vice President, Finance, Chief Financial Officer and Treasurer

Portland General Electric

How We Work Together

Portland General has an established operating framework for effectively and efficiently managing and controlling the business

- **Officer Interaction**
  - Weekly meeting[1]
  - Quarterly business review
- **Management of Power Supply Risk and Position**
  - Risk Management Committee
  - Power supply meeting
- **People Development**
  - Management development board

(1) Weekly officer meetings include specific areas of focus including strategy, business performance and staff development.

Recent Financial Results

Financial Summary

($ in millions, except per share amounts)	Year ended December 31 2006	Year ended December 31 2007	Three months ended March 31 2007	Three months ended March 31 2008
Revenues	$1,520	$1,743	$436	$471
Net Operating Income	121	198	90	63
Net Income	71	145	55	28
EPS (basic and diluted)	$1.14	$2.33	$0.88	$0.44

Factors Impacting Results

($ earnings per diluted share)

Full-year

2006
- Boardman outage (-$0.51) and deferral (+$0.06)
- Mark-to-market accounting (+$0.05)
- Senate Bill 408 (-$0.41)

2007
- Boardman deferral (+$0.26)
- California Settlement (+$0.06)
- Senate Bill 408 (+$0.18)

First Quarter

2007
- Boardman deferral including interest (+$0.22)
- California receivable (+$0.06)
- Non-qualified benefit plan assets (+$0.01)
- Senate Bill 408 (+$0.01)

2008
- Delayed hydro run-off (-$0.10)
- Non-qualified benefit plan assets (-$0.04)
- Senate Bill 408 (-$0.02)

Regulatory Update

Recent Key Actions by the OPUC	Prices Effective	Avg. Price Impact
2008 Annual Update of Power Costs	January 2008	- 0.3%
Biglow Canyon Wind Farm Phase I	January 2008	+ 0.6%
BPA Residential Exchange[(1)]	April 2008	- 6.3%
Energy Efficiency Tariff	June 2008	+ 1.0%
Advanced Metering Infrastructure (smart meters)	June 2008	+ 0.8%
Senate Bill 408 for Year 2006	June 2008	- 1.4%

2007 Integrated Resource Plan
- Additional renewables considered reasonable
  - Biglow Canyon Phases II and III
  - Additional 218 MWa; RFP approved and in process

2009 Integrated Resource Plan
- Submit within 12 to 18 months with a proposed plan for long-term resource action
  - Includes analysis of Boardman emissions control project

(1) Pertains only to residential and small farm customers. Discontinuance of the BPA residential exchange in June 2007 increased rates approximately 14%. This pass-through is income neutral.

Key Regulatory Dockets at the OPUC

2009 General Rate Case
- Docket UE 197
- Decision: December 2008

Annual Update Tariff for 2009 Power Costs
- Docket UE 198
- Decision: Fall of 2008

Approval for Amortization of Boardman Deferral
- Docket UE 196
- Decision: Q3 – Q4 2008

Trojan Remand
- Docket DR10, UE 88, UM 989
- Decision: September 2008

Web Resource
- www.oregon.gov/PUC/

2009 General Rate Case

General Rate Case: UE 197
- Filed February 27, 2008, with a 2009 test year
- If approved, price increase of 8.9% expected effective January 1, 2009
- Requested:
  - Average rate base: $2.366 billion(1)
  - Allowed ROE: 10.75%
  - Capital structure: 50% equity / 50% debt
  - Weighted average cost of capital: 8.66%
  - Increase in average revenue requirement: $146 million
    - Net Variable Power Costs: $53 million (tracked through UE 198)
    - O&M and A&G: $52 million
    - Other expenses, rate base and cost of capital: $41 million
- Timing:
  - General Rate Case UE 197
    - Settlement conferences; currently ongoing
    - Testimony from late June through September
    - OPUC order due December 29
  - Annual Update of Net Variable Power Costs UE 198
    - Updated power costs to be filed in July, October and November

(1) Excludes Advanced Metering Infrastructure and Phases II & III of the Biglow Canyon Wind Farm.

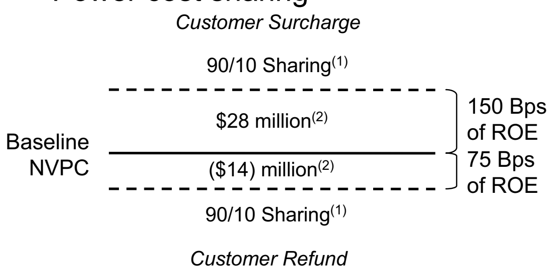
Recovery of Power Costs

Annual Power Cost Update Tariff

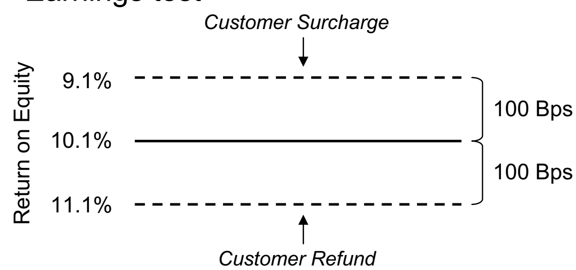
- Annual reset of rates based on forecast of net variable power costs (NVPC) for the coming year; following OPUC approval, new prices go into effect on or around January 1 of the following year

Power Cost Adjustment Mechanism

Power cost sharing



Earnings test



- PGE absorbs all costs/benefits within the ROE band irrespective of power cost variances
- Surcharge only if ROE is below 9.1% and refund only if ROE is greater than 11.1%

(1) 90 percent with customers, 10% with PGE.
(2) Sharing deadband for 2008.

Trojan Remand Case

- PGE collected a “return on” Trojan from April 1995 through September 2000; effective September 30, 2000, Trojan was removed from the balance sheet along with several largely offsetting regulatory liabilities (2000 Settlement)
- The OPUC is addressing two judicial remands:
  - What rates would have been in effect from 1995 to 2000 if a “return on” Trojan was excluded
  - Whether rates approved in the 2000 Settlement were just and reasonable
- The OPUC has processed the remands in phases: The final phase, Phase 3, will review specific issues regarding the remand of the 2000 Settlement; in March, the administrative law judge set a schedule for Phase 3 ending with a Commission order on September 12, 2008
- The OPUC has indicated that the September order will be a final comprehensive order addressing all Trojan-related issues

Note: Scheduling information as of March 12, 2008.

Trojan Class Action Suit

- Two class action suits were filed in Marion County Circuit Court in January 2003 on behalf of current and former electric service customers. The suits seek to recover damages to customers for PGE charging OPUC-approved rates that included a "return on" the Company's Trojan investment.
- In August 2006, the Oregon Supreme Court issued a ruling abating the class action proceedings until the OPUC responds in the Remand Cases.
  - The Oregon Supreme Court concluded that the OPUC has primary jurisdiction and if the OPUC determines that it can provide a remedy to PGE customers, then the class action proceeding may be moot in whole or in part. But if the OPUC determines it cannot provide a remedy, and that decision becomes final, 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, including the rights to attorney fees.
- In October 2006, the Marion County Circuit Court issued an Order of Abatement abating the class actions but inviting motions to lift the abatement after one year.
- In October 2007 the plaintiffs filed a motion asking the Circuit Court to lift the abatement.
  - April 10, 2008: Motion heard and abatement continued
  - June 3, 2008: Abatement continued with next status conference scheduled for October 15, 2008, and contingent trial date set for April 2009.
- Class action suits request $260 million in relief (plus interest).

Forward Capital Expenditures Driving Rate Base Growth

Capital Expenditures

- Attractive growth opportunities through capital investment in core utility assets
- Earnings expected to grow 6 to 8 percent over the long term starting with 2008
- New capital investments funded through cash from operations and issuances of debt and equity with a targeted capital structure of 50/50

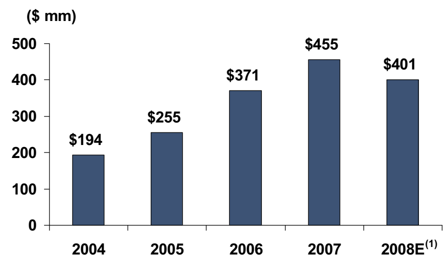
Projects[1] ($ in millions)	2008	2009	2010	2011	2012
Advanced Metering Infrastructure	**$23**	**$75**	**$30**	**-**	**-**
Biglow Canyon Wind Farm: Phase II[(2)]	**$75**	**$235**	**-**	**-**	**-**
Biglow Canyon Wind Farm: Phase III[(2)]	**$22**	**$180**	**$190**	**-**	**-**
Boardman emissions controls[(3)]	**$2**	**$125 - $165**			
Hydro relicensing	**$56**	**$65 - $105**			
Ongoing capital expenditures[(4)]	**$223**	**$200 - $220**	**$215 - $235**	**$240 - $260**	**$230 - $250**

- Depreciation and amortization of $205 million to $240 million (2008 – 2012)

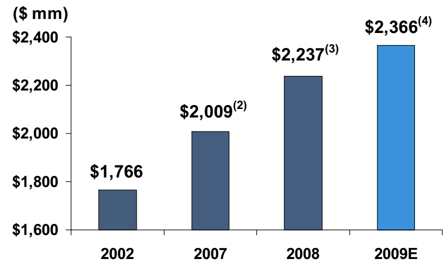
(1) Current as of June 10, 2008. Does not include AFDC. Forecasted expenditures are preliminary and subject to change. Does not include capital for potential additional renewables, beyond Biglow Canyon, to meet Oregon's Renewable Energy Standard.
(2) 2007 capital expenditure for Biglow Canyon Phase II and III was $17 million.
(3) Forecasted capital expenditures based on the installation of a SNCR system, per PGE's November 2007 BART filing. PGE's proposal to DEQ is approximately $300 million - $400 million (100% of project cost).
(4) Includes upgrades to transmission, distribution and existing generation, as well as new customer connections.

Rate-Base Growth Opportunities

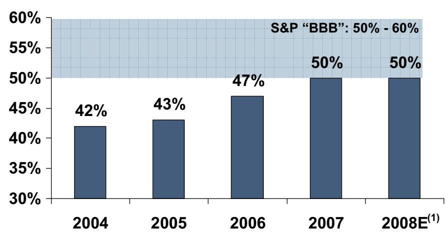
Capital Expenditures



Approved/Projected Avg. Rate Base



Debt/Capitalization



Current Credit Ratings

	Senior Secured	Senior Unsecured	Outlook
S&P	**A**	**BBB**	**Stable**
Moody's	**Baa1**	**Baa2**	**Stable**

(1) Forecasted expenditures are preliminary and subject to change.
(2) Includes annualized rate base of Port Westward.
(3) Approved UE-180 rate base plus Biglow Canyon Phase 1.
(4) Per PGE's General Rate Case filed February 27, 2008 (UE-197). Excludes Advanced Metering Infrastructure and Phases 2 & 3 of the Biglow Canyon Wind Farm.

Summary

Systematic process to manage and control costs

Capital investment opportunities

Strong balance sheet; investment-grade credit ratings

Earnings and Dividends

2008 Earnings Guidance

- $1.75 to $1.85 per diluted share
- Earnings expected to grow 6 to 8 percent over the long term beginning in 2008

Common Stock Dividend History

– Portland General emerged as publicly traded company	**April 2006**
– Declaration of initial quarterly dividend of 22.5 cents per share	**May 2006**
– Dividend increases:	
• Declaration of quarterly dividend of 23.5 cents per share, an increase of 4.4%	**May 2007**
• Declaration of quarterly dividend of 24.5 cents per share, an increase of 4.3%	**May 2008**

- Over the long term, we expect a target dividend payout ratio in the 60 percent range

Summary

Experienced management team focused on operational excellence

Strong economic and load growth in service area

Satisfied customers

Supportive regulatory environment

$2.3 billion of planned Capital Expenditure 2008-2012

Investments in prudent rate base assets drive earnings and dividend growth

Executive Officers

Peggy Fowler
Chief Executive Officer and President

Jim Piro
Executive Vice President, Finance, Chief Financial Officer and Treasurer

Jim Lobdell
Vice President, Power Operations & Resource Planning

Steve Quennoz
Vice President, Nuclear, Power Supply & Generation

Steve Hawke
Senior Vice President, Customer Service & Delivery

Portland General Electric

Investor Relations Contact Information

William J. Valach
Director, Investor Relations
503.464.7395
William.Valach@pgn.com

Portland General Electric Company
121 S.W. Salmon Street
Suite 1WTC0403
Portland, OR 97204

www.PortlandGeneral.com

**This Exhibit is
Confidential and Subject
to Protective Order**

June 23, 2008

TO: Lowrey Brown
Citizens' Utility Board

FROM: Randy Dahlgren
Director, Regulatory Policy & Affairs

PORTLAND GENERAL ELECTRIC
UE 197
PGE *Supplemental* Response to CUB Data Request
Dated March 20, 2008
Question No. 006

Request:

For each of the following capital expenditures, which the Company cites as coming soon, please provide an estimate of the capital expenditure's rate impact the first year after full deployment:

a. **Biglow II;**
b. **Biglow III;**
c. **AMI;**
d. **Boardman Air Quality Improvements; and**
e. **Hydro Relicensing.**

Response:

PGE objects to this request on the basis of undue burden and relevance. Docket UE 197 relates to the 2009 test year and does not include any aspect of the referenced projects, with the exception of certain hydro relicensing projects. Without waiving this objection, PGE replies as follows:

PGE has not completed the analyses for Biglow 2 and 3 and Boardman air quality improvements, they are not relevant to this case. Some information regarding Biglow 2 and 3 can be found in PGE's 2007 integrated resource plan (OPUC Docket LC 43). The rate impact of AMI has been thoroughly described in OPUC Docket UE 189 and is estimated to be about zero in the year after full deployment because O&M savings offset the incremental revenue requirement of the new system. Hydro relicensing consists of numerous projects over several years. Although some of these are included in the UE 197 test year forecast (e.g., the selective water withdrawal tower at Round Butte and the fish ladder at River Mill), PGE has not calculated individual rate impacts for these projects.

Supplemental Response (June 23, 2008):

Attachment 006-A provides PGE's initial estimate of the rate impact of two possible emission control technologies for the Boardman plant. These are very preliminary estimates and do not include the costs of carbon regulation, should such regulation be imposed.

Attachment 006-A is confidential and subject to Protective Order No. 08-133.

June 26, 2008

TO: Lowrey Brown
Citizens' Utility Board

FROM: Randy Dahlgren
Director, Regulatory Policy & Affairs

PORTLAND GENERAL ELECTRIC
UE 197
PGE Response to CUB Data Request
Dated June 11, 2008
Question No. 062

Request:

What is the cost of The Customer Focus Initiative in the UE 197 test year?

Response:

The cost associated with the Customer Focus Initiative (CFI) in 2009 is approximately $300,000. This includes the cost of the Program Manager, contract labor, materials, equipment, etc. The costs associated with the initial company-wide training were incurred in 2007.

Overview

PGE determined that a long-term cultural change to become more customer-focused was needed. Overall, each employee and department is asked to consider how their work directly or indirectly impacts the customer and what changes the employee or department can make to improve the cost effectiveness or service that PGE provides to its customers. Improvements are to be done with existing resources rather than requiring large expenditures. Should an improvement require additional resources, a business case would have to be made.

The program launched in 2007 with company-wide training. Each of PGE's employees was required to take part in this four hour training session or a modified shorter version of it. The CFI has now been incorporated into the existing orientation program and does not require additional hours of training time. New employees will receive information on the CFI during their orientation.

The primary objective for the CFI is to increase PGE's level of service to customers. Though cost efficiency is one of the original long-term objectives of the CFI, it is not used as a primary motivator for employees. Instead, we have asked employees to consider how service can be improved using existing resources.

Attachment 062-A is a summary of several Quick Hits demonstrating the types of efficiencies and savings PGE has captured thus far, less than one year into the program. PGE expects to continue to capture cost savings and efficiencies; however, much of the benefit of the CFI cannot be easily quantified in dollar terms.

Customer Focus Quick Hit Improvement Examples

Storeroom Collaboration Quick Hit

The storeroom collaborated with line crews to improve efficiencies in outfitting and stocking the trucks with the proper equipment to complete jobs without additional trips. Storeroom management and General Line Foremen meet regularly to look for ways to improve procedures and communications. Crews are using new procedures now to ensure that they request the specific equipment, parts and quantities for each job. This requires a thorough review of the work requirements prior to arriving on site as well as a review of the materials stocked on the trucks. Conservative estimates are that we are saving at least two 20 mile round trips per day (probably more) which equates to an annual savings of 10,400 miles or $5,252 (at the IRS reimbursement rate of .505 per mile). This also represents a reduction of approximately 693 gallons of diesel fuel used.

IVR Quick Hit

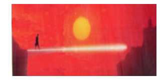
Customers had reported that the IVR system playback of confirmation numbers was too fast for some alpha-numeric characters and difficult to differentiate. We updated the programming in the IVR to slow down the confirmation numbers playback and we re-recorded applicable prompts to over-enunciate problematic alpha-numeric characters. These changes, implemented in the summer of 2007, impact approximately 250,000 customer transactions annually. Since implementing, we have not received any comments that the playback is too fast. Complaints about difficulty differentiating specific alpha characters have decreased by approximately 75% (falling from approximately one complaint per week to one complaint per month.)

Distribution Communications Quick Hit

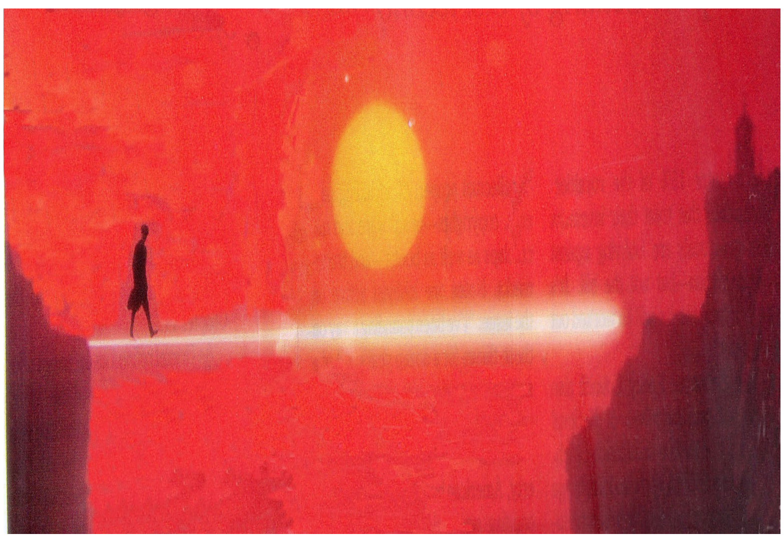
Created a simple one-sheet laminated bi-lingual sheet to help linemen and other field personnel better communicate to our Spanish-speaking customers about equipment repairs/outages affecting them. The intention is to reduce the number of calls to the contact center to speak with a Spanish-speaking representative to understand what is going on and any required action on their part. Communicating with this simple tool reduces calls to the Contact Center, better informs our Spanish-speaking customers, reduces the need for crews to double back and start/finish work they could not do until appropriate action was taken, and provides better customer service because our customers do not need to call customer service and wait in a queue to speak with a translator.

Distribution Services Location Efficiency Quick Hit

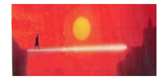
To reduce the number of times a PGE crew could not find a light or tree locations reported by a customer, Distribution Services began using Google Maps in complement with PGE’s mapping program when speaking with customers that were reporting locations without specific ID numbers. The original intention was to provide a less frustrating experience for the customer and to reduce wasted trips by crews. Using Google Maps allows PGE to visually confirm the customer's instructions and ask clarifying questions if needed. Additional benefits included providing first call resolution and shorter calls. Since implementing this approach at the beginning of 2008, our accessibility to customers that call in (answering the phone in person) to this department has increased from 51 percent in 2007 to 71 percent through June of 2008. Off phone work productivity has also benefited. Goals are to accomplish work tasks (managed through the Work Management System) within 24 hours of receiving. Last year we completed this type of off-phone work within 24 hours, 65 percent of the time. That compares to 90 percent YTD through June 2008.



CUSTOMER FOCUS INITIATIVE DESIGN TEAM PHASE REPORT



January 2007



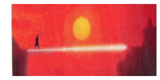
Inception.

In November 2005, the PGE officer team anticipated emerging from a period of ownership uncertainty, permitting the company to more proactively set an agenda for improvement, and selected customer-driven-culture as one next best pursuit of excellence. In June 2006, the officers commissioned a management team to design and propose a way forward.

Design Phase Goal

〉 **Propose an assessment-based implementation plan for the Customer Focus Initiative by Oct. 20 2006** so as to rollout with 2007 scorecards.

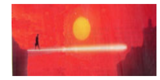
Smart Start. We recognized this would be a first-generation plan aimed at making a surefooted first year effort. In 2007 the forward planning would be extended to 2008 and beyond.



We understood from the outset:

THE CUSTOMER FOCUS INITIATIVE

…. is not about.	*Rather ….*
〉 *CORRECTING DEFICIENCY*	〉 *WE AIM TO GO FROM <u>GOOD TO GREAT</u>* 〉 *THIS BUILDS ON STRENGTH*
〉 *JUST RAISING SURVEY SCORES*	〉 *IT IS ABOUT CULTURE*
〉 *PRESCRIBING SOLUTIONS*	〉 *IT IS ABOUT BUILDING CAPABILITY*
〉 *JUST ONE YEAR*	〉 *IT'S A MULTI-YEAR PURSUIT*
〉 *PERSUADING US TO CARE*	〉 *WE ALREADY CARE* *This goes with the grain of why people want to work at PGE*
〉 *JUST CUSTOMER FACING EMPLOYEES*	〉 *WE ALL HAVE A ROLE* *We all impact paying customers*



Long Term Goals[1] for the Initiative

1. **ACHIEVE GAINS IN CUSTOMER SATISFACTION (outcomes)**
2. **BUILD CAPABILITY FOR CONTINUOUS IMPROVEMENT OF CUSTOMER SATISFACTION**

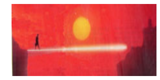
Beginning Vision Statements

Deliver on our promise[2] at every customer touch-point

Show naturally, sustaining improvement cycle[3] (rate of improvement)

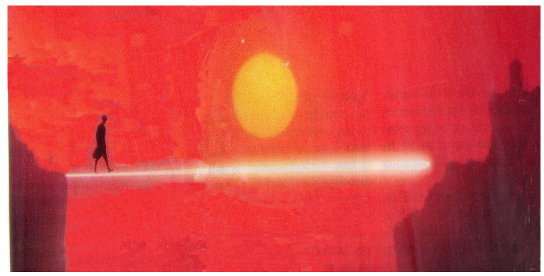
Notes:

1. As a conscious by-product: build organization capacity for change, capability to implement future selected pursuits for improvement
2. Work for 2007: We recommend that PGE compose a clear, compelling expression of its historic, implicit promise. No doubt the statement will involve our traditional ideas of contributing to the lives of our customers and giving them peace of mind, plus perhaps evolving thoughts about our 21st century utility role.
3. Unfinished Work: We recommend further work to describe "improvement cycles" (eg. vigorous pace, rigorous thought, aligned, self-starting, fact-based, etc. make the performance wheel spin better/faster)



Philosophy. *From the outset we adopted two primary principles ….*

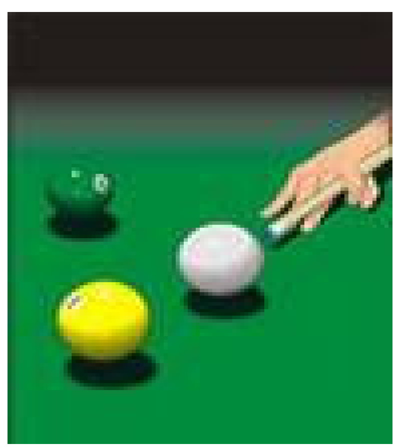
BE THE BEAM



We want to ….

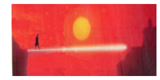
- build an organization that naturally, continuously self-improves, rather than spearhead a few improvements.
- stimulate the organization to have ideas, not just have ideas ourselves
- lead differently (eg. sponsoring, guiding, challenging, supporting, seeding), "**servant leader**"
- leverage our leadership contribution, get leadership satisfaction as organization builders, not as doers

PLAY FOR THE LEAVE

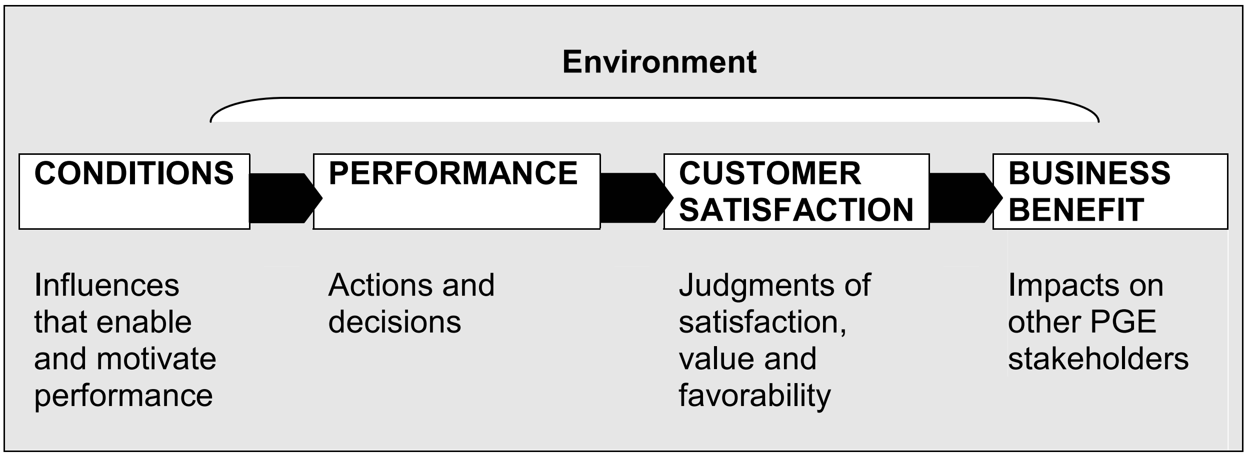


We want to ….

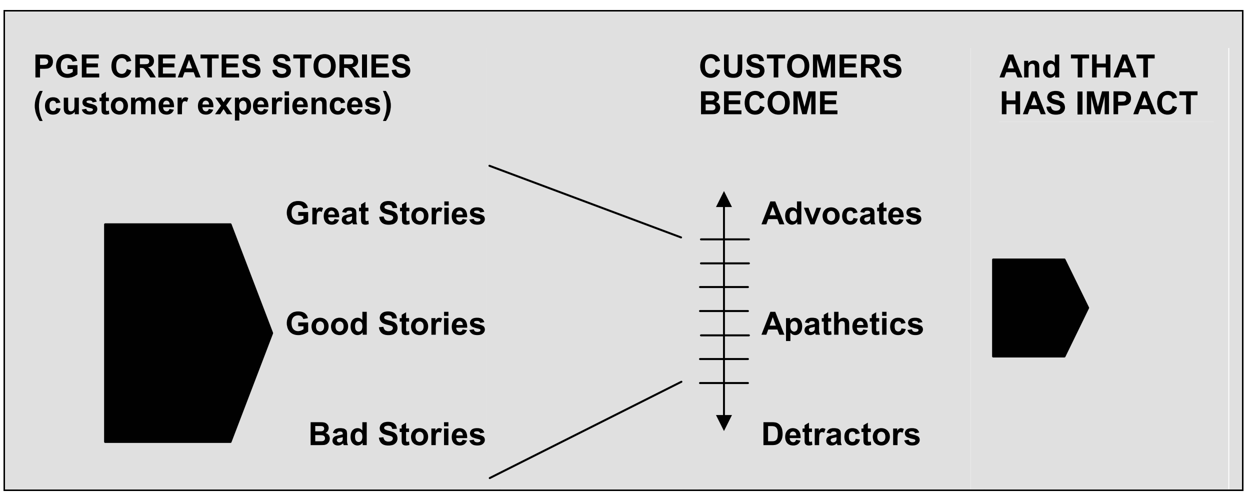
- Create conditions and capabilities that are lasting, sustainable ("give 'em a fishing pole").
- View leaders' contribution not as making improvements, but rather improving the improvement process
- Leave a legacy of greater capacity to improve.



Our Maps. This simple portrayal of a cause-effect chain has helped us organize our thoughts. We used it to describe both Status, current chain, and Goal, an intended, desired chain.



A parallel more right brain portrayal is:

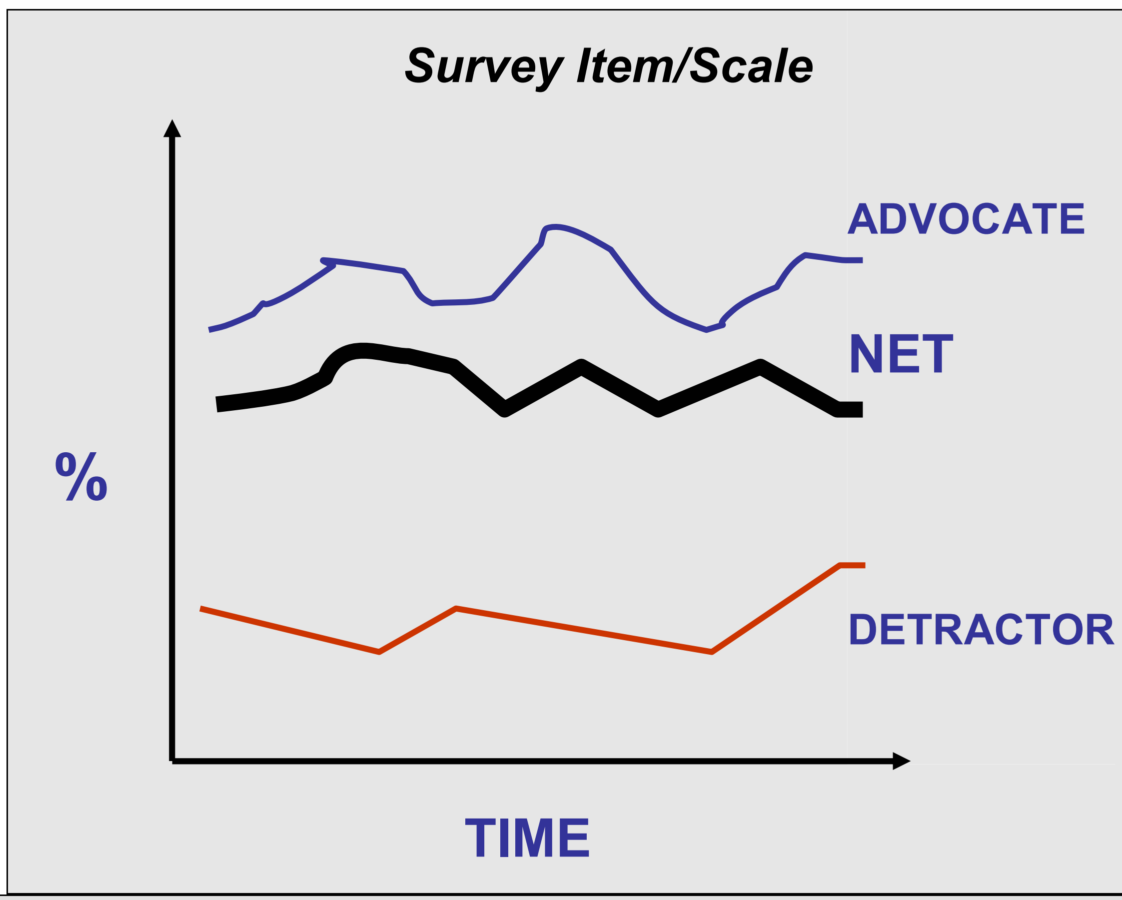


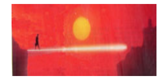
Net Advocacy. We propose experimenting with Net Advocacy as a way to communicate, set goals and measure progress. The formulation can be applied to outcomes and drivers for all market sectors.

NET ADVOCATE

FORMULA

	ADVOCATES (high raters)
minus	**DETRACTORS** (low raters)
=	**NET ADVOCATE**





ASSESSMENT QUESTIONS

Given the proposition:

Go Good to Great on Customer Satisfaction

We set out to explore and test our beliefs through rational argument and systematic judgment: is there both reason to and room to improve? ie.

Should We?

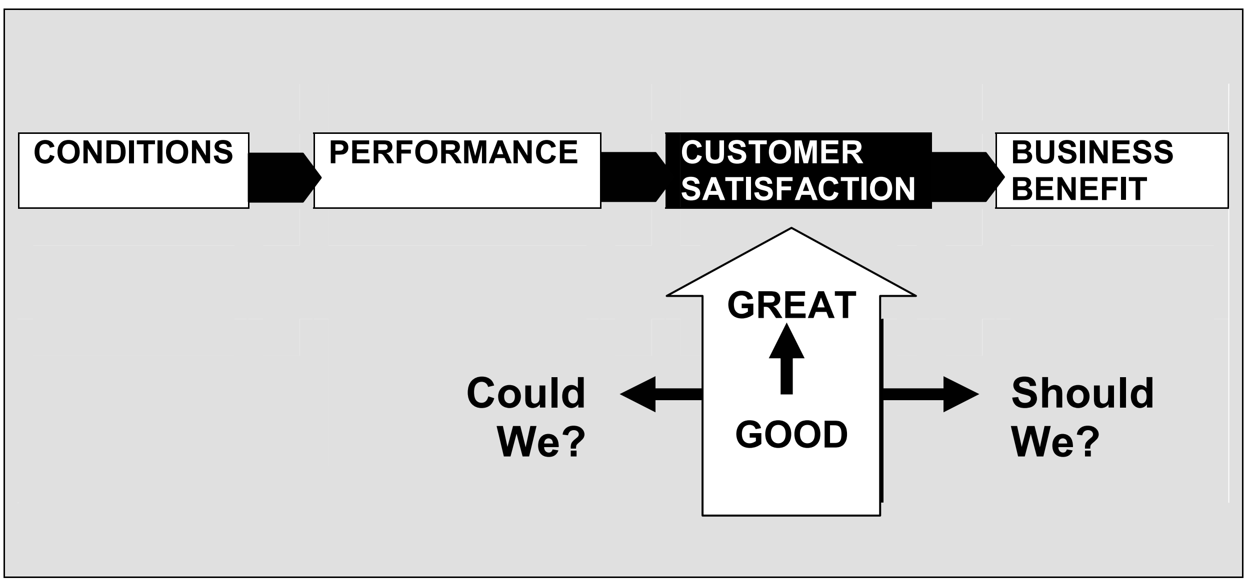
Customer Satisfaction has consequences.

- What's the business benefit of increased satisfaction?
- What's the payoff of more advocates and less detractors?

Could We?

Customer Satisfaction has causes.

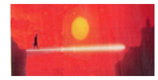
- Is there room to improve conditions and performance? attainable with current resources?



The Assessment Questions align to **Common, Sensible Doubts.** employees may have.

Should We? -- *Why now?*
-- *What difference would it make? Customers are captive*.

Could We? -- *Aren't we great already?*
-- *Aren't we already doing all we can with the resources we have?*

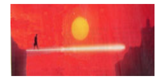


Customer Focus Design Team Report

SHOULD WE GO GOOD TO GREAT? WHY NOW?

We see strong arguments, outside pressures and our own aspirations, for going to Good to Great on Customer Satisfaction now, that pose a sense of urgency.

Regained Independence	Constituents expect to see a difference.
OPPORTUNITY TO BE MORE PROACTIVE	Recently we have had to react to a lot of crises, play a lot of defense, and withstand a lot of adversity. Now we have a chance to be more proactive. We **get to play offense** (our turn at bat)
After adverse times, come back better than ever	Time and again, **customers have re-chosen us,** said they want a locally headquartered privately owned electricity provider. Over years, we have earned their support. Let's justify that preference and loyalty every day.
PROVE NO ONE CAN OPERATE THIS PLACE BETTER	We've been criticized and attacked. For many, we no longer get their benefit of the doubt. Let's **re-earn the trust of our detractors**, show them again we have their interests at heart.
CUSTOMER EXPECTATIONS ARE RISING	Other industries raise the customer service bar. We can't stand still. We must improve just to stay even, and improve even more to gain ground.
PROTECT AND ENHANCE OUR VALUE PROPOSITION	PGE, like other utilities, must pass on **rising power costs** in higher prices. We need to increase what we do for customers to sustain their experience of value from us. Let's make ourselves the best possible deal for customers.
INVESTORS CARE	Our new investors will take note of how we meet the 21st century, and how we do for customers.
ATTRACTS NEEDED TALENT	As the age wave passes through the labor market, we will have to **compete for talent**. Increasingly, people want to work for organizations that intensely dedicate to customers.
TRUST WILL BECOME MORE CRUCIAL	Looking ahead *we* face **21st century challenges** from natural resource supply limits, to geopolitical threats, to environmental impacts. There will be increasing political activism …… Building a customer culture – a company that listens, cares, responds, and is trusted -- will be crucial to future success.
TIME TO UNIFY AND ENTHUSE US	Let's pick something to get great at, something that builds on our strength, something that we all care about, something that will unify and enthuse us,
WE HAVE EARNED THIS	



Customer Focus Design Team Report

Looking back, we have withstood and emerged from adversity …
Looking ahead, we face 21st century challenges. Now is the time.

SHOULD WE GO GOOD TO GREAT? WHAT BUSINESS BENEFIT?

There are many business benefits*. They all boil down to this:

CUSTOMER ADVOCACY

Customers influence views of regulators, investors, politicians, potential new customers, and other key constituents ………..

We would get more proponents and good-will in regulatory and political settings

We will get more forgiveness, more "benefit of the doubt", and more resilient public opinion (less susceptible to negative spin).

PROFIT/ PREMIUM

We gain more favorable Regulatory Treatment.

- Regulators have an area of discretion about ROE, allowed costs, and opportunity to invest. High customer satisfaction and advocacy help gain positive discretion or, alternatively, protects against negative discretion. (see next page)

We achieve reduced cost of poor quality & complaints

We gain increased revenue in situations in which Customers make choices about doing business with us (eg. location, program enrollment, fuel choice).

Investors and creditors increase their confidence in our future earnings. They recognize positive relations with customers and regulators.

- There is a high correlation between utilities' performance for customers and their financial performance.

PRIDE

Employees gain sense of achievement and contribution and get positive feedback from customers

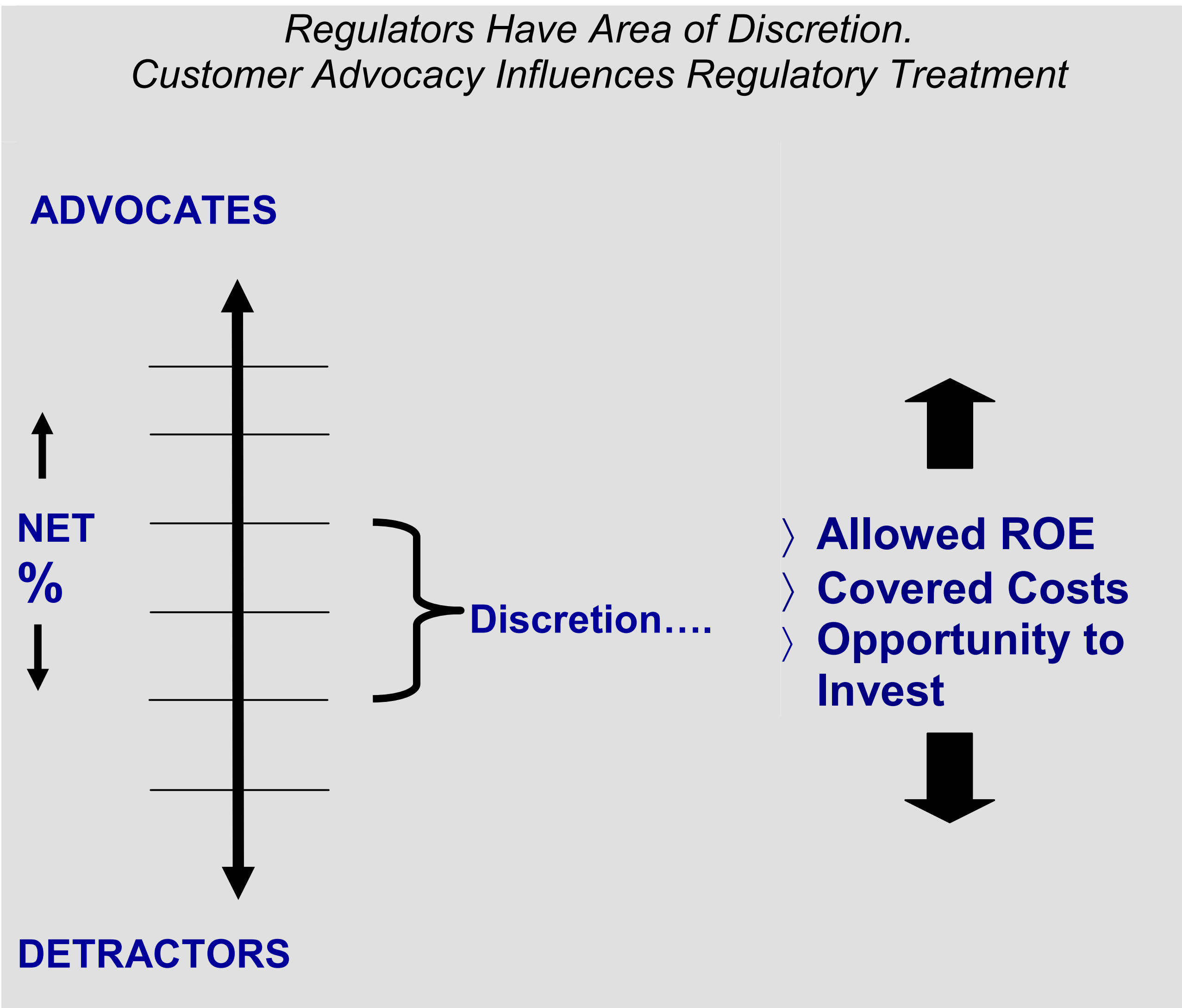
It helps attract and retain employees. Doing great for customers is part of PGE's employment reward package.

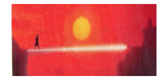
We see valuable business benefits for going to Good to Great on Customer Satisfaction. These payoffs make it an attractive goal.

** Additional indirect benefits include:*

- Build organization capability to pursue other improvements, ie. PGE's capacity for change
- Increase productivity by achieving greater customer satisfaction given the same resources; position for further learning and improvement in productivity.
- Provide a strategic stretch goal that "pulls" development of our people and processes
- Help unify, enthuse, and build trust in PGE's workforce at a time that follows difficult years

REGULATORY TREATMENT





COULD WE GO GOOD TO GREAT? PERFORMANCE

Is there room to improve, readily attainable with current level of resources?

Key Behaviors/Actions*.* We specified 12 types of actions (performance) that employees do relevant to Customer Satisfaction. We surveyed and discussed our opinions as to the Status (current level) and Goal (desired level) of performance on each behavior.

Our Assessment

Our **Average Status Rating** = 4.3

Our **Average Goal Rating** = 7.8

Our **Average Gap** = 3.5

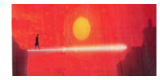
The behavior of “Deliver Solutions” was our highest rating and least gap (2.8).

The behavior of “Review Performance” was our largest gap (4.3)

We are rigorous raters with passion for customers and thus high standards. No doubt that is why we were selected for the design team. Even if ratings from a wider sample of raters were a couple points better, our conclusion would be the same.

We conclude there is ample opportunity to improve performance, attainable with given resources.

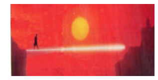
We did GAPS analyses on performance gaps that led to ideas for plans of action.



RATE PGE'S PERFORMANCE OF THE FOLLOWING BEHAVIORS

1	2	3	4	5	6	7	8	9	10
Unacceptable		**Tolerable** will suffice, get by		**Successful** meets expectations		**Surpass** exceeds expectations		**Best Practice**	**Break New Ground**

#	BEHAVIOR / ACTION *To what extent do ………..*	STATUS now	GOAL desired, intended in x yrs
1	**Deliver Technical Quality**. Customer-facing employees enact customer touch points with competence and quality.		
2	**Deliver Service Interaction**. Customer-facing employees interact with customers courteously and empathically.		
3	**Impress**. Employees shape customer expectations and customer perceptions (eg. what they notice, remember)		
4	**Assist**. Employees to help coworkers in other units deliver and impress.		
5	**Sense**. Customer facing employees converse w/ customers to find out what they need and how they are reacting; employees listen and engage.		
6	**Represent**. Employees promote understanding of PGE		
7	**Innovate/Improve.** Employees search for, suggest, try ways to continuously improve at deliver and impress.		
8	**Assess Need**. Units seek out and find out what customers expect.		
9	**Translate/Line-of-Sight**. Units have customer requirement measures (customer voice) on scorecards.		
10	**Review Performance**. Units review how they are doing for customers.		
11	**Outside In**. We decide what to do based on customer needs and expectations		
12	**Empowerment**. Employees use discretion to craft solutions to customer needs		



COULD WE GO GOOD TO GREAT? CONDITIONS

Is there room to improve, readily attainable with current level of resources?

Intentionality. We identified key management practices that would support the key actions/behaviors of employees. Again, we surveyed and discussed our opinions as to "how intentional" we as a company are at doing these practices.

Our Assessment

Our **Average Rating** on all items = **2.9**

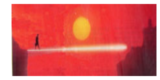
Our Highest rated Item is DELIVER REWARDS = 3.7

Our Lowest rated Item is PROVIDE FEEDBACK = 2.4

Again, we are rigorous raters.

A wider survey of all PGE management concluded an average = **5.0**.

We conclude there is ample room to be more intentional in creating conditions that support key behavior/actions employees perform on behalf of customers.



Customer Focus Design Team Report

RATE PGE ON INTENTIONALITY FOR CONDITIONS FOR PERFORMANCE

Low Intention ← → **High Intention**

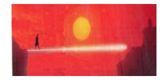
1	2	3	4	5	6	7	8	9	10

Unplanned, Informally,
By Chance, Not done

Moderately, Casually
Implicitly, Intuitively
Some done unconsciously

DONE WITH RIGOR & VIGOR
Explicitly, Intensely, Formally,
Systematically, Deliberately,
Effortfully

#	**MANAGEMENT PRACTICES** ***To what extent does PGE intentionally do each of the following ………..***	**YOUR RATING** **1←→10**
1	**SET EXPECTATIONS** so that employees understand their responsibilities for contributing to customer satisfaction?	
2	**PROVIDE FEEDBACK & APPRAISAL** so that employees know how well they are doing at their contribution to customer satisfaction?	
3	**DELIVER REWARDS** in order to stimulate and reinforce employee contribution to customer satisfaction?	
4	**USE SELECTION** to hire and place employees based on their fit to the job's contribution to customer satisfaction?	
5	**USE TRAINING AND DEVELOPMENT** to build skills and knowledge employees need to perform their contribution to customer satisfaction?	
6	**CLEAR THE PERFORMANCE PATH** (eg. remove obstacles, improve methods) for employees to perform their contribution to customer satisfaction?	
7	**PRIORITIZE WORK** based on what it takes to maximize customer satisfaction?	
8	**ALLOCATE RESOURCES** based on what it takes to maximize customer satisfaction?	

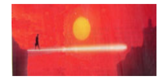


ASSESSMENT CONCLUSION

Should we and could we go Good to Great on Customer Satisfaction?

- Now is the time. There is a strong case of urgency
- There would be substantial business benefit if we did improve.
- There is surprising room to improve.
- We are already good and not even yet fully intentional, not even peaking. Just imagine!

Let's see what we can do when we put our organizational mind to it.

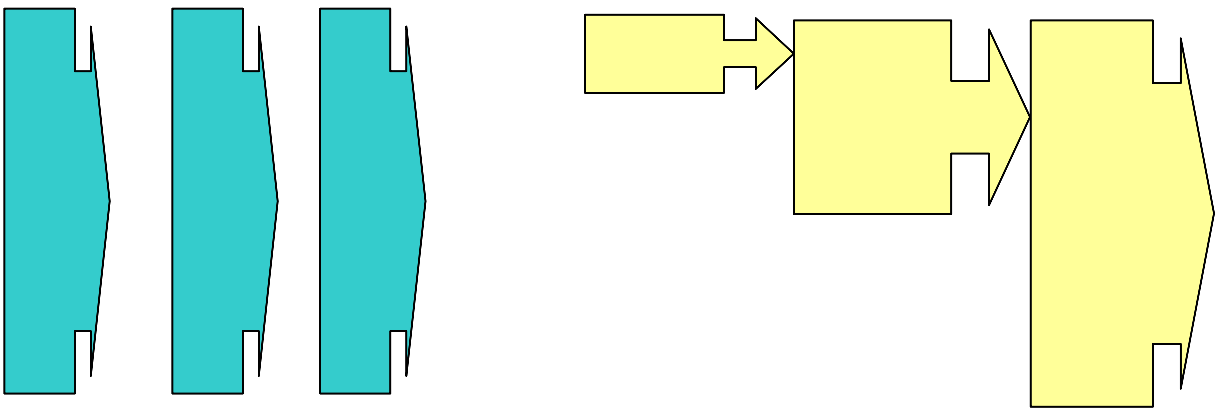


INTERVENTION STRATEGY

We selected a dissemination (diffusion) strategy to answer the question:

Where to begin? How to spread (grow)?

ie. what rollout approach and sequence should we use?



We chose to deploy 2007 efforts to:

1. **Breadth:** orienting and practical steps by all parts of the company.

2. **Depth:** Invitational encouragement to groups to self select more ambitious steps.

3. **Strata:** More intense enrollment of officers and middle management

Participation Levels. We will offer a range of participation levels so groups can get involved in proportion to their line of sight and other priorities.

What we did not choose. For 2007 we will not target types of customers, specific performance factors, nor cross functional work processes. We instead are trying to stimulate widespread increases of alignment and action orientation. Increases in targeting improvements and cross functional work can come in subsequent years.

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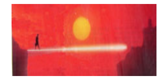


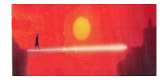
IMPLEMENTATION PLAN (PLAN FOR CHANGE)

PRINCIPLES OF IMPLEMENTATION. We identified key attributes of wise and effective implementation that we want to characterize our plan.

1. Make the Business Case	All our actions need to make business sense and optimize value for all stakeholders.
2. Attune to the Voice of the Customer	Think outside in. Listen to and align to the needs of customers.
3. Engage the Heart	Do it with emotion, meaning, enjoyment.
4. Different Actions by Different Areas	Allow different levels of participation and customization for local relevance; not one-size fits all.
5. Empower Action. Involve Employees.	Push decision-making out to where the action is. Stimulate groups to participate, self-assess and choose their own actions.
6. Live by the "Golden Rule of Service".	Manage employees as you would have them treat customers. Regard them as customers of leadership-service.
7. "Customerize" what we do.	Piggyback on, rather than add to, existing company processes. Make what we already do more attuned to customers.
8. No Shame, No Blame	We all are and have been well-intended. Be patient with our learning process. Be patient working through obstacles to change.
9. Slow is Fastest	Sink deep roots. Make it stick. Pace for long term staying power. Resolve to persist, to be steady and determined.
10. Set Sights on Ultimate Customers	Focus everyone on external customers. Internal clients are means to that end. Be accountable for the whole.

Additional principles:

11. **Reverse the Flow**: learn from the front of the organization (too important to leave to generals)
12. **Trust Employees**: they naturally care about customers and doing the right thing.
13. **Make Actions Louder than Words**: become our best business as usual; new usual
14. **Add Intangible Resources**. Make gains through increased focus, alignment and ingenuity.
15. **Influence through Conversations**. Exchange thoughts authentically, dignifying-ly.
16. **Ownership**; give employees a stake in it
17. **Learn from Experience**. Assess, learn and get smarter as we go.

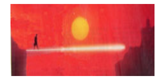


2007 “Phase One” Implementation Goals

Build Understanding and Commitment	Widespread employee customer literacy, awareness of the initiative, and belief in the benefits of great customer outcomes
Connect to Employees Work	Employee recognition of their opportunities to contribute, how they align.
Get Early Wins, Get Action	Build momentum. Stimulate improvement cycles. Build sense of “capacity to act” (“can do” belief).
Clarify, Intensify Our “Promise”	Compose expression of PGE’s customer promise to hearten our pursuit of good to great.
Deepen the Roots of this Initiative; Stage 2008	Set up enduring roles, goals and processes to help institutionalize the pursuit. Develop a more mature plan for 2008 and beyond.

2008 goals will foresee-ably involve spreading and deepening understanding and commitment, a second wave of actions, and methods of perpetuation ….

Customer Focus Design Team Report



CALL TO ACTION

LETS GO GOOD TO GREAT ON CUSTOMER OUTCOMES

〉 **LET'S DELIVER ON OUR PROMISE AT EVERY CUSTOMER TOUCH POINT.**

〉 **NOW IS THE TIME**

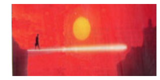
〉 **THERE IS SIGNIFICANT PAYOFF IF WE DO IMPROVE**
(ie. advocacy, profit, pride)

〉 **THERE IS SURPRISING ROOM TO IMPROVE**
(eg. intentional conditions)

〉 **WE ARE ACHIEVING GOOD AND WE ARE NOT EVEN CLOSE TO PEAKING. JUST IMAGINE!**

Let's, every division, group and individual in the organization, step up to the challenge to add greater value to customers. Let's distinguish ourselves through great quality and service and to containing price.

Find your **path of contribution** (line of sight), **get the voice of the customer on your scorecard,** and find ways to excel on your path, use **focus, alignment and ingenuity** to provide more value with your resources.



2007 ACTIONS – ALL WORK GROUPS

Managers and supervisors are invited to select a level of participation for their groups.

Orientation Level

Participate in Customer Focus Orientation workshops
(enroll employees in half day session)

- Increase customer literacy
- Build readiness to participate in the initiative

Unit Action Level

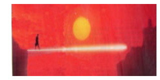
Accomplish a Customer-Focused Performance-Improvement-Cycle in your group.

- Clarify your group's **Line of Sight**
- Identify **Top Barriers** to great performance
- Build a **List of Ideas** for improvement
- Do a "**Quick Hit**" action to get a rapid result

Unit Initiative Level

Undertake expanded Performance Improvement in your group.

- Obtain **Deeper Assessment** of your unit (eg. feedback from customers/clients, assess skills, processes, etc.)
- Do a **More Extensive Unit Improvement** Plan
  (eg. interaction skills, process changes)



SUPPORTING ACTIONS

There is management and staff work to do in order to support the performance improvement cycles of work units. There is need to create a conducive organization environment of sponsorship, modeling, communication, reward, and more. There is need to create staff services to assist managers to accomplish improvements.

Work Orders are requested of Officers, Management and Staff Groups.

Executive Sponsorship Work

- Call to action, sponsorship-reinforcement, prioritization of resources, apply incentives, obtain customer input to policy decisions, visits to groups

Middle Management Work

- Supporting sponsorship and communication, coaching and facilitating work groups (eg. identify line of sight), coordination of improvement actions, barrier removal …..

Support Staff Work

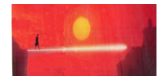
- **Corporate Communications:** Communication plan, Recognition Program
- **Customer Research & Market Managers:** Transaction surveys and market consulting
- **Organization Development & Training:** Specialized training and consulting to support the call to action to all work groups.
- **Staffing:** Selection Practices, adapt New Employee Orientation
- **Process Owners:** bolster customer criteria in formal PGE decisions (eg. CRG)

Additional work orders request preparations for 2008.

Preparations For 2008 – To Be Done in 2007

- Customer Promise Research/messaging ….
- R&D for more proximate measurements to guide this initiative
- R&D on empowerment methods
- Evaluation of 2007 Implementation and Plan Actions for 2008

A more detailed working list of action ideas is appended.



BUDGET

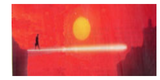
Resources to support the initiative will come from:

1. **Redeployed Time.** As a foundational initiative of the company, it is expected to command priority allocations of manager and employee time. It is the continuous effort to add higher value work and supplant lower value work. It becomes an area of emphasis that replaces prior areas of emphasis.

   Recast Time. In many cases, groups will not substantively change the work they are doing. They simply change their view of the rationale for their work. They will gain a fresh view of their alignment, a “changed lens”.

2. **Incremental Expenses**. We foresee $250,000 of direct expenses with a contingency of another $250,000. These funds will go to support purchase of materials, curriculum development and other professional services, and possible recognition awards.

3. **No Change in Justifying Proposed Projects**. Any work group coming up with an idea that requires additional unbudgeted funds will have to make a request with a cost-benefit justification just as they always would. This initiative does not change that. Hopefully, this initiative will improve the quality of ideas and the customer benefit criteria brought to bear.



GUIDING TEAM

Purpose:

To achieve implementation, growth and perpetuation of the initiative

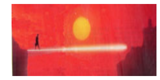
Responsibilities

- Direct, monitor and control implementation
  - Work group participation
  - Work orders
- Evaluate the initiative
- Design and plan multi-year phasing and 2008 actions
- Promote learning and development about Customer Culture and Change

Roles

Decision-making?

- Primary Officer Sponsor (Ron → tbd)
- Officer Sponsors (Steve, Carol, Pamela, Arleen)
- Cross Functional Manager Members (evolved from former design team)
- Program Leader (continuous design) (Brad)
- Program Manager (tbd)
- Working Subgroups (temporary and ongoing)



UNFINISHED WORK

The Design Team passes an “unfinished work” list to the Guiding Team to contend for the next phase work agenda. This includes:

Further Definition of Vision. There is need to provide more detailed, vivid description. This will provide both an image of success at which to aim, an inspiration to effort, and a basis for judging progress. It should provide an answer to the question “when are we done”. In this case “done” means that the pursuit of excellence and continuous improvement becomes self-propelling and no longer needs special emphasis to get going.

See appendices for working papers about vision.

Risks to Implementation could be identified and determinations made if special efforts are needed to fortify the plan for success. The Design Team recognizes risks of:

- **Complacency, weak urgency** inherent in good to great (“good is enemy of great”)
- **Sponsorship**: executive time, skills, will, role-images of sponsor work, and change in leadership
- **Supporting Sponsorship** of middle managers
- **Competing Priorities**
- **Program Management**: organizational skills
- **Staff Support**: skills and availability of support roles
- ………….

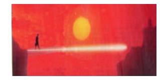
Evaluation and Goal Setting. Further specification is needed.

Level 1 Evaluation:	Did we implement (call to action, work orders)? How did employees react?
Level 2 Evaluation:	Did we achieve our 2007 Goals?
Level 3 Evaluation:	What is the impact on culture and capability?
Level 4. Evaluation:	What is the impact on customer outcomes? What is the change in Net Advocacy?
Level 5. Evaluation	What is the impact on business benefits?

Outstanding Issues:

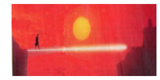
- **Chaos** due to numerous groups choosing uncoordinated improvements
- **Frustration/Conflict** due to identification of barriers beyond one’s control and barriers caused by other groups who may not be able or willing to fix.
- **……….**

CUB/106
Jenks/26

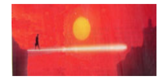


APPENDIX 1: WORKING LIST OF ACTIONS // 10/6/07

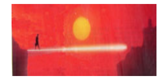
PERFORMING UNITS
1. Line of Sight
2. Idea list
3. Quick Hit Projects
4. Barrier Removal (“path clearing”)
5. Unit Self-Assessment
6. Unit Improvement Initiative
7. Customer Interaction Skills
8. Customer-Aligned Performance Mgt
9. Customer Literacy Training Module
10. Customer Culture Module / Promise
COMMUNICATION ENVIRONMENT
Call to Action
Communication Plan
Opinion Leaders’ Event
Programmed Staff Meeting Conversations
PGE Promise to Stakeholders alignment (R & D)
EXPECTATION/ FEEDBACK /REWARD (ACCOUNTABILITY
Goal-Setting & Measurement (R&D)
Incentives (monetary)
Recognition (non-monetary rewards)
Unit Excellence Award /certification (R&D)
Adapt/Add to Guiding Behaviors (R&D)
Process-Based Leadership
SELECTION / DEVELOPMENT (READY PEOPLE)
Customer Aligned Selection
New Employee Orientation
DECISION MAKING / PRIORITY SETTING / RESOURCE ALLOCATION / POLICY
Decision Making - Customer Input to Policy
Decision Making -Customer Criteria in formal PGE processes
Empowerment Planning (R&D)
SYSTEM / RULES/ WORK PROCESSES
Roadblock or Barrier Busting Group
<other previously planned projects>
DESIGN TEAM WORK
Implementation Project Management
Middle Management Role
Employee Survey
Connect to Professionalism Initiative



PERFORMING UNITS	
1. Line of Sight	a. identify your line of sight, path from your output to customer outcomes (eg. touch points, assists, barriers or supports created) b. translate customer requirements on to your scorecard …. measures and targets for unit outputs
2. Idea list	Generate a list of possible actions to improve performance on line of sight. Validate with others affected by each idea
3. Quick Hit Projects	Achieve a rapid result, improve measurably in 90 days with current resources, authority, & readiness (could be a process or a behavior, etc.)
4. Barrier Removal (“path clearing”)	Identify barriers to remove; set up a set up a “top barrier” process for continuously identifying, solving those within unit control and routing those beyond control to others who can solve - promote appropriate respect for legitimate constraints and difficulty affecting change
5. Unit Self-Assessment	Selected use of tools such as Process Mapping with Touch points, Customer Transaction Survey, Outside-In Decision Analysis, Key Behavior Rating, Condition-Intentionality Rating, Barrier Survey
6. Unit Improvement Initiative	A slate of multiple coordinated actions, eg. feedback, process improvement, training, rewarding …..
7. Customer Interaction Skills	a. skill training on key actions of service (eg. empathy, courtesy, dealing with anger) sensing, impressing, etc.
8. Customer-Aligned Performance Mgt	Integrate customer line of sight & key actions *supervisor skills for performance management (expectation setting, feedback, rewarding, coaching) about customer interaction*
9. Customer Literacy Training Module	Orientation to PGE’s market sectors, customer model, customer outcome measures, comparisons to other co’s
10. Customer Culture Module / Promise	Orientation to the initiative, to business benefit, to **“PGE promise”** (if expression of promise is settled, this is indoctrination; if unsettled this is participative discovery)

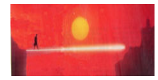


COMMUNICATION ENVIRONMENT	
11. Call to Action	Initial announcement by Peggy, reinforced by officers and middle managers; sponsorship demonstrated by concentration of officer attention (symbolic actions, sacrifice of some competing priorities)
12. Communication Plan	Design and implement internal communication plan, eg. - newsline articles - large group management meetings - disseminate current and historical stories (capture, "fan") - *Customer Model Poster in conference rooms* - Programmed officer visits to groups of interest to show interest
13. Opinion Leaders' Event	Gather supervisor and IC opinion leaders from around the company to react to the formative plan, experience communication and workshop modules as pilots, and to give input and feedback
14. Staff Meeting Conversations (programmed)	- Translate "Call to Action" - Discuss Quarterly Net Advocate & Survey results - other
15. PGE Promise to Stakeholders alignment (R&D)	Express core promise of PGE to customers, employees, investors, and other stakeholders; align customer, employment and investor branding



EXPECTATION/FEEDBACK/REWARD (ACCOUNTABILITY)	
16 Goal-Setting & Measurement (R&D)	- Treat 2007 as practice year for "net-advocate measure" - *research use of: composite outcome, factor, transaction and/or, hard measure indices*
17 Goals of Implementation	- Set 2007 goal for successful execution of the implementation plan
18 Incentives (monetary)	- devote existing pay awards, eg. ACI, CIP & Mgt Excellence and notables to support this initiative - spot awards - tailor weightings of incentives for different groups proportioned to their line of sight & motivational power of customer voice
19 Recognition (non-monetary rewards)	Design and implement symbolic awards for recognition for customer excellence
20 Unit Excellence Award /certification (R&D)	Design criteria, application process, examiner process and incentive for units to pursue a distinction of excellence (PGE local equivalent of "Baldridge" award)
21. Adapt/Add to Guiding Behaviors (R&D)	- evaluate idea of adapting or adding Customer focus
22. Process-Based Leadership	- collaborate with the Union to develop accountability culture in Distribution (?) through scorecards, review meetings, action registers and related practices; - emphasize customer criteria in early versions of new scorecards - determine appropriate involvement of management hierarchy above the represented employees in Distribution

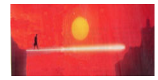
SELECTION / DEVELOPMENT	
23 Customer Aligned Selection	a. staffing dept. hone methods and services to assist hiring mgrs to b. managers apply customer focused criteria when hiring, placing, promoting
24 New Employee Orientation	
Work orders for Perf Unit actions	



DECISION MAKING / PRIORITIY SETTING/ RESOURCE ALLOCATING	
25 Decision Making - Customer Input to Policy	Establish policy and set up process for customer input to PGE policy decisions (ala global climate)
26 Decision Making - Customer Criteria in formal PGE processes	Introduce and give greater weight or clarity to customer criteria in processes such as CRG, etc.
27 Empowerment Planning (R&D)	Assess need, analyze causes and propose a plan to increase front-line resolution/first contact satisfaction in 2008; determine how to authorize discretion, clarify principles and reduce rules, train judgment skills, reward effort, learn from mistakes, to achieve safe, graduated empowerment *(use supvsr task force sponsored by mgrs)*

SYSTEMS / RULES / WORK PROCESSES	
28 Roadblock or Barrier Busting Group	- form a cross functional group to gather and address barriers beyond the control of local management
<previously planned improvement projects>	

DESIGN TEAM WORK	
29 Implementation Project Management	Transition Design Team to monitoring execution, evaluation of plan, plan and work orders for 2008 - *possible formation of Customer Committee equivalent*
30 Middle Mgmt Role	- Clarify expectations of middle managers for supporting change - Kickoff through Middle Management meeting
31 Employee Survey	Adapt or supplement so that the survey becomes a tool for survey-guided customer culture improvement
32 Connect to Professionalism Initiative	- advocate to Professionalism planners to sequence training module rollout so that Customer skills come early
- Congestion - Depth in RaRA - Depth in HR - Selected customer facing depth area	- cohere and resolve competing priorities - eg. invite RaRA to lead a tariff customerization, barrier reduction treat frontline employees as clients to signal barrier busting - invite HR to emphasize building customer-culture through selection, development, rewards, performance management, employment promise, etc - recruit “pioneer” groups



APPENDIX 2: VISION – Drafts of Ideas

We deliver on our promise at every customer touch point.

High Levels of Stable, Resilient Net Advocate Scores

We have self-propelling performance improvement cycles.
vigorous pace, rigorous thought, aligned, self-starting, fact-based, make the performance wheel spin better/faster, etc.

Vision: Great will look like:

- We consciously, persistently have customer interests at heart
- Understanding customer expectations and needs, even their unspoken needs.
- Translate customer needs onto our scorecards, and that radiates inward even to backstage groups
- When every group, frontstage or backstage, recognizes its path of contribution to customer outcomes
- When all our internal decisions on how to do things are informed by a focus on customer needs
- When we are energetically, creatively finding ways to improve our contributions, customer facing employees find better ways to interact with customers, back stage groups find ways to better support customer facing employees and make a more positive company image
- When our died-in-wool critics cannot get traction for their anti-PGE positions, because of our pervasive good will
- When employees feel gratified and proud of what we all provide to customers. When job seekers want to work here because we are a place that excels for customers

June 13, 2008

TO: Lowrey Brown
Citizens' Utility Board

FROM: Randy Dahlgren
Director, Regulatory Policy & Affairs

PORTLAND GENERAL ELECTRIC
UE 197
PGE *Supplemental* Response to CUB Data Request
Dated May 19, 2008
Question No. 049

Request:

PGE in investing in a new training simulator and expanding the staff related to training at Boardman.

a. **Please provide a copy of the proposals (analyses, memos, and all other documentation) that was consider by Jim Piro, the Officers, and the Board of Directors concerning this new training program.**
b. **How does this group benefit customers?**
c. **If the Company has engaged in multi-year planning for this group, does PGE forecast the amount of company resources invested in this program to increase, decrease, or remain the same in the next few years?**
d. **What is the total cost in the 2009 test year related to the training simulator and training at Boardman (please distinguish between the two), and how does this compare to the cost before PGE purchased the simulator.**

Response:

a. PGE objects to this request on the basis that is it overly broad and unduly burdensome. Without waiving its objection, PGE replies as follows: Please see PGE Attachment 049-A, which is the internal project profile used by the Capital Review Group. Attachment 049-A is confidential and subject to Protective Order 08-133.

   Training for plant staff is critical to maintain high reliability. In the past, PGE sent Boardman employees off-site for training; however, due to an uncontrollable change in service providers, the costs for Boardman training were expected to increase over 350%, from approximately $60,000 up to $272,000 per year. The initial proposal for the Boardman simulator was approved in August 2005 as a response to these increased costs and to maintain plant reliability. After Revision 1 in August 2006 the project had a 4.88 year payback period. In February 2007, PGE increased the project cost by an additional $0.6 million for the simulator and a further $0.4 million to increase the size of the building for Boardman offices and storage. With these additional costs, the project was not expected to have an economic payback of less than 5 years; however, it was still considered a critical part of training, reliability and safety. The project justification is also described in PGE Attachment 049-A.

b. The total costs in 2009 represent a consistent level of PGE's current plans for on-going costs.

c. The total cost for training at Boardman in years 2005 through 2009 are presented below:

Year	Dollars	% Change
2005	282,000	
2006	251,000	-10.99%
2007	333,009	32.67%
2008	176,155	-47.10%
2009	184,926	4.98%

* Includes PGE's share of labor and non-labor

<u>Supplemental Request June 13, 2008</u>

On June 13, 2008, CUB requested the economic analysis provided to support version 3 of the project approval.

<u>Supplemental Response June 13, 2008</u>

Related to the payback analysis discussed on page 3 of Attachment 049-A:

As discussed in part b above, the final version of the project was approved for reliability purposes, not on economic payback, and therefore the payback analysis was not included in the final project approval and, subsequently, was not included in PGE's response. The original payback analysis is PGE Attachment 049 Supp 1-B.

This Exhibit is Confidential and Subject to Protective Order

Portland General Electric Co

Project: P24866

Project Profiles System
CRG Summary
Project Summary/Approval

Project Title: **Purchase Helicopter**

Project ID: **P24866** **Rev No: 0** **Project Sponsor: 729**

Project Description:

Purchase a new single-turbine engine Eurocopter AS350B3 helicopter to replace PGE's existing helicopter. The estimated acquisition cost is $2,400,000. Upon approval of this project, a production order will be placed in late 2007 with delivery expected during 2009. The expected cash outflows are as follows:

2007:	$ 180,000	7.5% Down payment due at time of order
2008:	$ 180,000	7.5% Progress payment due six months prior to delivery
2009:	$2,040,000	Final Balance due at time of delivery

Project EVA Input Assumptions:

Economic analysis:

Choice of Aircraft:

Overview: PGE's Financial Analysis department and BDS evaluated the relative economics between the purchase of a Bell 407 and a Eurocopter AS350B3.

Conclusion: The analysis indicates that there is a significant economic advantage ($757,857 Net Present Value basis) to purchasing the Eurocopter AS350B3 over the Bell 407.

Note Regarding Used Aircraft:
The state of the marketplace for purchasing a used aircraft will be explored at the appropriate time if the purchase of a new aircraft is authorized. Due to the dynamics of the marketplace it's not possible to predict with any certainty the availability of a suitable used aircraft at this time.

In-house Flight Operation versus Outsourcing:

Overview: PGE's Financial Analysis department and BDS evaluated the relative economics between the total cost (capital and O&M) of an in-house flight operation (with a new Eurocopter AS 350B3) compared to bid responses from Rogers Helicopter and Haverfield Inc. This analysis assumed a twenty-two year useful life with respect to the Eurocopter AS 350B3.

Conclusion: The analysis indicates that there is a significant economic advantage to purchasing a new aircraft and continuing to maintain an in-house flight operation compared to outsourcing.

		Net Present Value
In-House Flight Operation	- Eurocopter AS 350B3	$ 8,219,068
Outsourced Flight Operation	- Rogers Helicopter	$ 9,703,346
Outsourced Flight Operation	- Haverfield Inc.	$11,311,367

Project Justification:

Introduction

PGE owns and operates a twin-turbine engine helicopter. This helicopter was purchased new in 1980 and has served the Company well throughout its 27-year life. The aircraft's primary mission is to provide aerial line patrols of PGE's transmission and distribution (T&D) system supporting system reliability efforts. About 250 flight hours annually are devoted exclusively to T&D system patrols (this excludes infrared analysis patrols which could potentially add an estimated 100 hours if conducted). Staging the aircraft for work locations east of the Cascades including pre and post-flight operational checks consume an additional 280 man hours annually. The aircraft also routinely flies aerial survey missions in support of environmental and generation licensing efforts. On an emergency call-out basis the aircraft is used to support outage restoration activities. Aside from these core uses the aircraft also supports occasional executive transportation needs to various PGE locations. In addition to direct flight support hours an average of 1,000 man hours is devoted to annual pilot recurrent training, aircraft and hangar maintenance activities, ground recognizance and administrative duties.

There are a number of factors that dictate when an aircraft is approaching the end of its useful life. These factors include increased maintenance costs, declining availability of spare parts and increased downtime due to escalating corrective maintenance needs. All of these factors are currently affecting PGE's Helicopter Operations, resulting in increasing costs and a decreased level of aircraft availability.

PGE's Business Services Group completed a comprehensive study of the Company's aircraft operations. This Project Profile includes an overview of this study, its major components, conclusions reached and a final recommendation.

Needs assessment:

Overview: This assessment focused on the need for aerial line patrols of the Company's T&D system. In this phase the operational aspects of providing aerial line patrols were reviewed with representatives from PGE's Line Department. Topics discussed at these meetings included the purpose and benefits of line patrols, the possibility of patrolling by ground and the consequences of not having aerial line patrol capability.

In addition to internal stakeholder meetings, we consulted with other utility companies to better understand current utility industry trends with respect to the use of aerial line patrols. Our discussions indicate that utility industry trends continue to support the need for aerial patrols with many utility companies such as Southern California Edison and Salt River Project upgrading or adding additional aircraft to their helicopter fleets.

Conclusion: Aerial line patrols offer the most efficient and practical means of preventative maintenance on PGE's T&D system. These lines are located in geographic areas ranging from high density areas to extremely mountainous and high desert terrain. In many areas the terrain and vegetation makes it difficult and in some cases impossible to patrol these lines from the ground. Also, some lines are not accessible by ground during colder seasons. Helicopter patrols also enable the Company to respond quickly to unplanned outages, especially during storm and fire seasons. In such cases the helicopter is used to identify and assess damage and dispatch the appropriate resources to restore power and minimize risk to our employees, the public and the environment.

Benchmarking:

Overview: This phase included interviews with Southern California Edison (SCE), Bonneville Power Administration (BPA), Pacific Power and Avista Power. The purpose of these interviews was to benchmark PGE's operation with utilities that conduct aerial patrols in environments similar to PGE. Topics covered in these interviews included whether their operation was performed in-house or outsourced and why, the type of aircraft used, crew configuration and frequency of patrols.

Finding: Of the four utilities interviewed, two, BPA and SCE, maintain an in-house operation. In both cases this election was based on studies which concluded that outsourcing was a higher cost alternative. Both studies compared the cost of ownership to outsourcing arrangements that provide dedicated aircraft on a year round basis. Pacific Power's outsourced operation was the result of a strategic decision made by its parent to eliminate all in-house flight operations including fixed wing and is currently being re-evaluated. Avista Power's outsourcing arrangement is driven by its limited need for multi-season line patrols. Beyond cost comparisons: All utilities agreed that the primary benefit to an in-house operation is the continuity of safety due to the enhanced relationship between pilot and patrolman and familiarity with the utility's T&D System. Crew resource management and communication is a critical component to safe flight operations when operating in close proximity to high voltage power lines. Finally, all four surveyed utilities agreed single-turbine engine helicopters were acceptable in most flight environments.

Risk Analysis:

Overview: This analysis included a review of U.S. National Transportation Safety Board (NTSB) helicopter accident statistics over a 10-year period. Statistics reviewed included accident causation as well as accident rate comparisons for single versus twin-turbine helicopters. Over this 10-year period on average one accident occurred for every 11,500 hours flown. Pilot error (as opposed to mechanical failure) was the most frequently cited causal factor in helicopter accidents according to the FAA and NTSB as reported by the Flight Safety Foundation. The Flight Safety Foundation studied fatal helicopter accidents from 1993-1997. Their findings indicated a similar fatal accident rate for single-turbine versus twin-turbine helicopters with pilot error accounting for 70% of these accidents. As part of our analysis we consulted with Mr. Bob Feerst of Utility Aviation Specialists. Mr. Feerst is a recognized industry expert in helicopter safety and crew training issues related to the challenges of flying in the wire environment. Mr. Feerst cites a study of utility line patrol aviation accidents showing nearly 90% of all utility line patrol accidents involve contract flight operators as opposed to utilities who maintained in-house flight operations

Conclusion: Pilot error is the predominant casual factor in all helicopter accidents. Utility line patrol accidents most often stem from contract operators as opposed to utilities who maintained in-house flight operations. In terms of accident occurrence rate there appears to be no significant difference when comparing single-turbine versus twin-turbine helicopters.

Outsourcing:

Overview:

Thirty aviation contractors were evaluated as potential outsourcing candidates. After an initial screening process this group was reduced to eighteen contractors that appeared to have the capability to provide safe, high altitude aerial patrols with newer and more reliable equipment compared to our current helicopter. Of this group, fourteen responded to our formal solicitation for outsourcing bids. As a result of the bid evaluation process this group of fourteen was reduced to the two finalists whose proposals appeared to provide the best overall economic value.

Finding: Rogers Helicopters from Clovis CA. and Haverfield from Carroll Valley, PA. emerged at the most suitable candidates for an outsourcing solution. Both of these vendors were evaluated economically against an insourcing solution (see Economic Analysis section below).

Aircraft replacement options:

Overview: Five helicopters were identified that could support PGE's aerial line patrol needs. These selections were based on an examination of each helicopter's specifications, and the abilityto perform in PGE's flight environment. From this group the Bell 407 and the Eurocopter AS350B3 emerged as the two best choices for PGE based on an evaluation of the various risk factors, discussions with knowledgeable experts and flight test evaluations conducted by PGE's Pilot.

Conclusion: We recommend the replacement of PGE's current twin-turbine helicopter with a new Eurocopter AS350B3

Portland General Electric Co

Project:
P24866

Project Profiles System
CRG Summary
Project Summary/Approval

single-turbine helicopter. The Eurocopter AS350B3 has several features that support our operational and safety needs including a powerful engine, dual hydraulics system, and a 3-phase computer system that runs the engine for added safety. This aircraft also has the longest fuel range and gives the best altitude power compared to the Bell 407.

Final recommendation:

After reviewing our findings, safety and performance factors with our pilot, peer utilities and other helicopter industry experts we have concluded that the purchase of single-turbine engine Eurocopter AS350B3 and continuing to maintain an in-house flight operation is the best overall alternative for PGE. This will ensure that PGE will continue to perform critical line patrols and other aerial needs in a cost effective, safe, and efficient manner.

Project Status Comments:

Rev. 0 A 6/14/07 CRG 2008 capital approved budget

Project Cost Summary (One-Time Capital Costs):

Job #	Job Title	Previous	2008	2009	2010	Future	Total
24866	Purchase Helicopter	$180,000	$180,000	$2,040,000			$2,400,000
	Total	$180,000	$180,000	$2,040,000			$2,400,000

Project Start Date: 09/01/2007

Project Finish Date: 09/30/2009

Environmental Assessme

Project Approval:

Name	Date	Print Name and Title
Name	Date	Print Name and Title
Name	Date	Print Name and Title
Name	Date	Print Name and Title

Portland General Electric Co.

Project: P24866

Project Profiles System
CRG Summary
Job Summary

Wednesday, May 21, 2008

Job Title: Purchase Helicopter

Job No: 24866 **Rev No**: 0 **Job Sponsor**: 729

Job Start Date: 09/01/2007 **Job Contact**: Kim Michek

Job End Date: 09/30/2009 **Job Driver Code:** 3 **Ranking Code:** 2 **Budget Group:** 82

Job :

Job Cost Summary (One-Time Capital Costs):

For 2007

ENTITY	LEDGER	CE	RC	AMOUNT	HOURS	MEMORANDUM
181	A79261	36	729	$180,000		7.5% down payment at time of order
			Total	$180,000		

For 2008

ENTITY	LEDGER	CE	RC	AMOUNT	HOURS	MEMORANDUM
181	A79261	36	729	$180,000		7.5% Progress payment due 6 months prior to delivery
			Total	$180,000		

For 2009

ENTITY	LEDGER	CE	RC	AMOUNT	HOURS	MEMORANDUM
181	A79261	36	729	$2,040,000		Final balance due at time of delivery
			Total	$2,040,000		

CUB/110
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Helicopter Operations Report 2006

Department Passengers:

PGE:	YTD	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Executive	0	0	0	0	0	0	0	0	0	0	0	0	0
Transportation	0	0	0	0	0	0	0	0	0	0	0	0	0
AC Maintenance	1	1	0	0	0	0	0	0	0	0	0	0	0
EM&C	12	0	0	0	0	0	0	0	12	0	0	0	0
Line Department	133	3	17	10	11	13	22	0	12	4	30	4	7
Emergency Call Out	0	0	0	0	0	0	0	0	0	0	0	0	0
Wild Life Surveys	0	0	0	0	0	0	0	0	0	0	0	0	0
Guest Flights	0	0	0	0	0	0	0	0	0	0	0	0	0
Other PGE	16	1	2	0	0	0	2	0	0	5	2	0	4
OTHER:	0	0	0	0	0	0	0	0	0	0	0	0	0
Guest	0	0	0	0	0	0	0	0	0	0	0	0	0
BLM	0	0	0	0	0	0	0	0	0	0	0	0	0
ODFW	0	0	0	0	0	0	0	0	0	0	0	0	0
USFS	0	0	0	0	0	0	0	0	0	0	0	0	0
OSP	0	0	0	0	0	0	0	0	0	0	0	0	0
Warm Springs Tribe	0	0	0	0	0	0	0	0	0	0	0	0	0
Other: ______	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL PASSENGERS:	162	5	19	10	11	13	24	0	24	9	32	4	11

Hours Flown

	YTD	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
A/C Maintenance	**0.1**	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EM&C	**4.9**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.9	0.0	0.0	0.0	0.0
Emergency Call Out	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Executive	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Line Department	**128.8**	2.0	7.3	16.7	19.1	10.4	15.7	0.0	9.2	5.3	26.9	6.1	10.1
Maintenance	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Training	**4.8**	0.2	3.7	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0
Transportation	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Wild Life Survey	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	**15.4**	0.0	0.0	0.0	2.0	0.0	2.8	0.0	0.0	2.4	5.8	0.0	2.4
Total:	**154.0**	2.3	11.0	16.7	21.1	10.4	19.4	0.0	14.1	7.7	32.7	6.1	12.5

Helicopter Operations Report 2007

Department Passengers:

PGE:	YTD	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Executive	0	0	0	0	0	0	0	0	0	0	0	0	0
Transportation	0	0	0	0	0	0	0	0	0	0	0	0	0
AC Maintenance	3	1	0	0	0	0	1	0	1	0	0	0	0
EM&C	3	0	0	0	0	0	0	0	0	0	0	3	0
Line Department	38	0	0	7	7	3	2	0	0	4	8	3	4
Emergency Call Out	0	0	0	0	0	0	0	0	0	0	0	0	0
Wild Life Surveys	16	0	0	4	0	6	5	1	0	0	0	0	0
Guest Flights	6	0	0	0	0	0	0	0	3	0	3	0	0
Other PGE	17	2	0	0	3	1	5	3	1	0	1	1	0
OTHER:	0	0	0	0	0	0	0	0	0	0	0	0	0
Guest	0	0	0	0	0	0	0	0	0	0	0	0	0
BLM	0	0	0	0	0	0	0	0	0	0	0	0	0
ODFW	0	0	0	0	0	0	0	0	0	0	0	0	0
USFS	0	0	0	0	0	0	0	0	0	0	0	0	0
OSP	0	0	0	0	0	0	0	0	0	0	0	0	0
Warm Springs Tribe	0	0	0	0	0	0	0	0	0	0	0	0	0
Other: ________	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL PASSENGERS:	83	3	0	11	10	10	13	4	5	4	12	7	4

Hours Flown

	YTD	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
A/C Maintenance	**22.6**	3.1	0.0	3.1	0.0	0.0	6.9	0.0	4.3	5.2	0.0	0.0	0.0
EM&C	**1.3**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3	0.0
Emergency Call Out	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Executive	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Line Department	**86.0**	0.0	0.0	14.5	16.3	9.3	4.7	0.0	0.0	11.1	11.4	1.5	17.2
Maintenance	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Training	**2.5**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.5	0.0	0.0	0.0	0.0
Transportation	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Wild Life Survey	**22.8**	0.0	0.0	5.3	0.0	7.5	7.0	3.0	0.0	0.0	0.0	0.0	0.0
Other	**28.3**	1.2	0.0	0.0	5.2	1.6	4.9	2.3	1.0	0.0	7.0	5.1	0.0
Total:	**163.5**	4.3	0.0	22.9	21.5	18.4	23.5	5.3	7.8	16.3	18.4	7.9	17.2

Helicopter Flight Hour Adjustment

Regulated Hours of Operation		
Helicopter Operations Report 2006	154.0	
Helicopter Operations Report 2007	163.5	
2-Year Total	317.5	

Reason for Adjustment	**Hours**	**Date**
Maintenance Test Flight	0.1	1/25/2006
Unregulated Flight (Political Donation - DR 67)	2.3	10/30/2006
To Boeing Field for Maintenance	1.4	3/16/2007
Return from Boeing Field	1.7	3/23/2007
To Boeing Field for Maintenance	1.4	6/12/2007
Return from Boeing Field	1.5	6/13/2007
Maintenance Test Flight	0.4	6/14/2007
Maintenance Test Flight	0.6	6/15/2007
To Boeing Field for Maintenance	1.3	6/19/2007
Return from Boeing Field	1.7	6/26/2007
Unregulated Flight (Corporate Donation - DR 66)	1.0	8/1/2007
To/Return from Boeing Field for Maintenance	2.8	8/9/2007
Maintenance Test Flight	2.5	8/14/2007
To Boeing Field for Maintenance	1.5	8/15/2007
Maintenance Test Flight	3.7	9/11/2007
Return from Boeing Field	1.5	9/15/2007
Maintenance Test Flight	1.5	9/16/2007
Total Adjustment	26.9	

2-Year Total with Adjustments Removed	290.6
Average Annual Flight Hours (2006-07)	145.3

*Unless otherwise noted, all data from PGE response to CUB DR 50 Attachment B

June 23, 2008

TO: Lowrey Brown
Citizens' Utility Board

FROM: Randy Dahlgren
Director, Regulatory Policy & Affairs

PORTLAND GENERAL ELECTRIC
UE 197
PGE Response to CUB Data Request
Dated June 11, 2008
Question No. 066

Request:

According to a PGE Helicopter Operations Report, in 2007, more than 17% of the hours flown had "PGE other" listed as passengers. For these hours, please identify the employees being flown, explain the purpose of the flight, and explain why each flight should be charged to regulated accounts.

Response:

Attachment 066-A provides the requested details on the 2007 flights with "PGE other" listed as passengers. All of the flights relate to the business of a regulated utility and therefore should be charged to regulated accounts, except the flight on August 1, 2007 which was donated to the Oregon Mentors Program. This flight should have been recorded to a below-the-line account for corporate donations.

June 23, 2008

TO: Lowrey Brown
Citizens' Utility Board

FROM: Randy Dahlgren
Director, Regulatory Policy & Affairs

PORTLAND GENERAL ELECTRIC
UE 197
PGE Response to CUB Data Request
Dated June 11, 2008
Question No. 067

Request:

On 10-30-06, Rob Davis and Mike Houck took a helicopter flight that was listed as "photo flight."

a. **Please describe the purpose of this flight and the intended use of the photographs.**
b. **Have the photographs been used? If so please list the documents, presentations, and other materials in which the photographs were used.**
c. **Please provide an electronic copy of the photos that were taken on this flight.**
d. **Why is it appropriate to charge this flight to customers?**

Response:

a.) This flight was donated to Metro in support of their 2006 Metro Greenspaces 26-80 Plan.
b.) PGE did not maintain photos and is unaware if, or how, any photographs were used by Metro.
c.) See b) above.
d.) This flight should have been charged to a below-the-line account for political donations.

PORTLAND GENERAL ELECTRIC COMPANY

Helicopter Acquisition

(In 2009 $)

		Purchase - *Original Analysis* **Eurocopter AS 350B3**			**Outsource - *Adjusted*** **Rogers Helicopter (C)**	
		Fixed Revenue Requirements	O&M	Total	Annual	Seasonal
1	2009	449,144	364,510	813,654	502,669	502,669
9	2010	415,468	391,010	806,478	514,230	514,231
3	2011	367,290	399,654	766,943	526,057	526,058
4	2012	334,580	437,207	771,787	538,157	538,157
5	2013	311,152	438,254	749,406	550,534	550,535
6	2014	287,724	470,200	757,924	563,197	563,197
7	2015	271,257	465,593	736,850	576,150	576,151
8	2016	261,752	507,319	769,071	589,402	589,402
9	2017	252,246	528,230	780,476	602,958	602,958
10	2018	242,740	525,029	767,769	616,826	616,826
11	2019	233,234	521,322	754,557	631,013	631,013
12	2020	223,729	949,598	1,173,327	645,526	645,527
13	2021	214,223	541,068	755,291	660,373	660,374
14	2022	204,717	603,689	808,406	675,562	675,563
15	2023	195,211	581,817	777,028	691,100	691,100
16	2024	185,706	661,176	846,882	706,995	706,996
17	2025	176,200	600,751	776,951	723,256	723,257
18	2026	166,694	751,844	918,538	739,891	739,892
19	2027	157,188	633,902	791,091	756,908	756,909
20	2028	147,683	734,178	881,860	774,317	774,318
21	2029	33,550	751,064	784,614	792,127	792,127
22	2030	(1,020,836)	768,338	(252,497)	810,346	810,346
	NPV	**$2,726,863**	**$5,491,640**	**$8,218,503**	**$6,368,179**	**$6,368,184**

Portland General Electric
Helicopter Vendor Finalist Pricing
March 2007

Vendor Nan Rogers Helicopters

Annual Rate - ***Adjusted***
$ 480,320 84 AS355F1

In-flight Rate (per Hour)	$1,500	$1,500	**Infrared Hourly Rate**
Standby Rate (per Hour)	$483	$3,000	**Infrared Additional Daily Rate**
Per Diem (per Day)	$140		
Ferry Cost (Round Trip)	$18,000		

Patrol	Date	Days	Flight Hours	Standby Hours	Total Hours	Total Cost Flight	Total Cost Standby	Total Cost Per Diem	Total Cost Ferry	Total Cost Total
Spring	3/15 - 4/30	25	42	36	300	$ 63,000	$ 17,388	$ 3,528	$ 18,000	$ 101,916
Fall Outage	9/15 - 9/22	6	6	11	80	$ 9,000	$ 5,216	$ 840	$ 18,000	$ 33,056
Fall	10/1 - 11/15	25	42	37	300	$ 63,000	$ 17,678	$ 3,528	$ 18,000	$ 102,206
Winter	12/1 - 1/15	25	18	37	300	$ 27,000	$ 17,678	$ 3,528	$ 18,000	$ 66,206
		82	108	120	980	$ 162,000	$ 57,960	$ 11,424	$ 72,000	$ 303,384
I/R	1/16 - 2/28	25	42	35	300	$ 63,000	$ 16,808	$ 3,528	$ 18,000	$ 101,336
I/R + Daily		25	-	-	-	$ -	$ -	$ -	$ -	$ 75,600
		107	150	155	1,280	$ 225,000	$ 74,768	$ 14,952	$ 90,000	$ 480,320

HELICOPTER TO BE UTILIZED: 1984 AS 355 F1 WITH NO SUITABLE BACK-UP AIRCRAFT

Note: "Days," Flight Hours," and "Standby Hours" are 60% of original PGE analysis, yielding the lower "Annual Rate."

June 23, 2008

TO: Lowrey Brown
Citizens' Utility Board

FROM: Randy Dahlgren
Director, Regulatory Policy & Affairs

PORTLAND GENERAL ELECTRIC
UE 197
PGE Response to CUB Data Request
Dated June 11, 2008
Question No. 071

Request:

For the UE 197 test year, how many hours of operation does PGE forecast for its helicopter?

Response:

PGE forecasts the helicopter will operate approximately 250 hours in 2009.

June 23, 2008

TO: Lowrey Brown
Citizens' Utility Board

FROM: Randy Dahlgren
Director, Regulatory Policy & Affairs

PORTLAND GENERAL ELECTRIC
UE 197
PGE Response to CUB Data Request
Dated June 11, 2008
Question No. 072

Request:

For the UE 180 test year, how many hours of operation did PGE forecast for its helicopter?

Response:

PGE forecasted the helicopter would operate approximately 250 hours in 2007.

April 3, 2008

TO: Lowrey Brown
Citizens' Utility Board

FROM: Randy Dahlgren
Director, Regulatory Policy & Affairs

PORTLAND GENERAL ELECTRIC
UE 197
PGE Response to CUB Data Request
Dated March 20, 2008
Question No. 009

Request:

At PGE/100/Piro/11-14, PGE lists actions that it has taken to mitigate the Company's requested increase.

a. **Is it correct that the total savings from these actions in the Company's test year is less than 6/100$^{\text{ths}}$ of 1% of revenue requirement?**
b. **Are there other actions the Company has taken to mitigate this requested increase that were not listed? If so, please list.**

Response:

a. PGE disagrees with the premise of this request because it is not reasonable to compare O&M savings against the total revenue requirement. For example, PGE's filed revenue requirement consists of over 50% net variable power costs, which are not affected by these O&M savings. PGE also does not agree that CUB's calculation is correct. CUB has only considered the programs for which quantitative estimates were provided. In addition, the programs included in PGE Exhibit 100 were identified as "examples" and are not intended to be an exhaustive list.

b. PGE listed several other actions to mitigate costs in Exhibit 100 that: 1) were not readily quantified, or 2) will be realized in subsequent years, i.e., $18.2 million in O&M savings from the AMI system. In addition, PGE pursues savings and efficiencies throughout its operations. Many of these were noted in our various exhibits and they result in additional savings or avoided costs.

May 5, 2008

TO: Lowrey Brown
Citizens' Utility Board

FROM: Randy Dahlgren
Director, Regulatory Policy & Affairs

PORTLAND GENERAL ELECTRIC
UE 197
PGE Response to CUB Data Request
Dated April 23, 2008
Question No. 028

Request:

(The original request from CUB was marked Confidential, however, upon review, PGE has determined that the request does not need to be confidential.)

In a confidential presentation to Edward Jones (Staff DR_018 Attach B, *PGE Edward Jones 3-08*, page 7), PGE states that "[e]ffective cost management" is part of PGE's "Customer Value Strategy."

a. **Please describe the process or steps through which PGE implements "effective cost management."**
b. **Please describe how PGE's "effective cost management" affects rates. Where possible, please quantify how the Company's "effective cost management" has impacted rates.**

Response:

Refer to PGE's Direct Testimony, Exhibit 100, pages 11 – 14.

May 08, 2008

TO: Lowrey Brown
Citizens' Utility Board

FROM: Randy Dahlgren
Director, Regulatory Policy & Affairs

PORTLAND GENERAL ELECTRIC
UE 197
PGE Response to CUB Data Request
Dated April 23, 2008
Question No. 036

Request:

In response to CUB data request 8, PGE discusses certain costs, and who had final responsibility for approving the inclusion of those costs in a requested rate increase.

c. **PGE did not answer the question of who had final authority to decide to include the school curriculum funding in the Company's Advice 07-25 filing. Who approved the Company's decision to ask for a rate increase for school curriculum funding?**
d. **In the other examples, the only name that is consistent across all the projects is Jim Piro. Is Mr. Piro the only person who must approve all projects that are proposed to be included in rate filings?**
e. **How does PGE set priorities for what costs should be included in rate filings and what projects should not be included?**
f. **Please provide a list of projects or costs that were considered for inclusion in this rate filing, but were rejected by the Company. Please explain why they were rejected, and at what level of the Company's corporate structure they were rejected.**

Response:

a. PGE objects to this request on the basis that it seeks information that is not relevant and not reasonably calculated to lead to the discovery of admissible evidence. The referenced advice filing is not related to UE 197 and there are no costs associated with this program in the 2009 test year forecast. Without waiving this objection, PGE responds as follows:

Advice 07-25 was a public filing that was only made after discussions with, and input from, other parties. PGE's decision to include the school curriculum funding in the original Advice 07-25 filing was then based on a decision by a vice president that is no longer with PGE.

b. PGE objects to this request on the basis that it is overly broad because PGE submits many types of rate filings. Without waiving this objection, PGE responds as follows:

No. CUB has mischaracterized PGE's approval process based on the limited nature of the projects queried in CUB Data Request No. 008. Attachment 036-A provides a description of PGE's overall budgeting process and the associated responsibilities. Final authorities for approval are as follows:

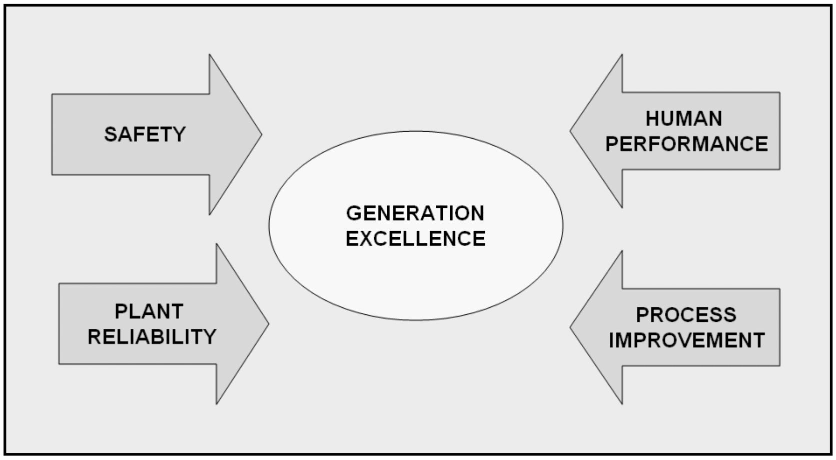
- Overall capital budget and capital budget for strategic projects – PGE's Board of Directors
- Revisions to the capital budget for non-strategic projects – PGE's CEO
- Overall O&M budget – PGE's Board of Directors
- Individual O&M projects – PGE's Vice Presidents and Executive Vice President
- Test Year Forecast – PGE's Vice Presidents and Executive Vice President

In addition, PGE's Capital Review Group (CRG) reviews all non-strategic capital jobs. The CRG process is described in Attachment 036-B. The CRG reviews all strategic capital jobs (e.g., AMI and new power plants resulting from the IRP/RFPs) for information purposes only.

c. See PGE's response to Part (b), above.

d. PGE objects to this request on the basis that it is unduly burdensome. PGE does not retain separate documentation for projects that are not included in the budgeting process. Without waiving this objection, capital jobs not recommended by the CRG are summarized in Attachment 036-C. The CRG establishes priorities for jobs based on their rankings (project prioritization codes included as Attachment 036-D) and the budget constraint for capital funds.

Generation Excellence 2008



Generation Excellence Initiative - 2008
Beaver Plant

- **SAFETY**
  - **OHSA's Voluntary Protection Program (VPP)**
    - **Form and fill initial VPP committees and establish contacts with other VPP facilities.**
    - **Attend conferences. Preparation to invite VPP audit in 2009.**
- **PLANT RELIABILITY**
  - **Industry Best Practices**
    - **Two site visits.**
    - **Attend User group conferences.**
  - **Reliability Centered Maintenance**
    - **Complete at least 2 critical RCM analysis.**
    - **Implement recommendation of Water plant RCM.**
    - **Continue to build on plant expertise. Assign Plant Champion.**
  - **Contractor Quality Assurance**
    - **Major outages this year (#7 generator rewind, #1and #6 generator inspections) will have Beaver personnel QA oversight.**
- **HUMAN PERFORMANCE**
  - **Operations Training**
    - **Continue GPI learn modules. Complete 18 modules.**
    - **Continue Operator qualification for new positions.**

Generation Excellence Initiative - 2008
Beaver Plant

- **HUMAN PERFORMANCE** (continued)
  - Maintenance Training
    - Continue GPI learn modules. Complete 18 modules.
    - Periodic hands on Vendor presentations
  - Staffing & Succession
    - Implement succession plans
    - Complete Peer to Peer surveys on critical positions.
  - Foreman & Supervisor Training
    - Continue quarterly Generation Excellence Leadership training modules.

- **PROCESS IMPROVEMENTS**
  - Operations Procedures
    - Complete all OI revisions: Complete revision of one half of the System Descriptions.
    - Maintenance Procedures -Review and transition MP's to Maximo job plans (75% MP-2 and 50% MP-3)
  - Root Cause & Corrective Action Program
    - Implement recommendations from previous RCA's. Continue use of RCA as needed. Continue staff training on process.

Generation Excellence Initiative – 2008
Boardman Plant

- **SAFETY**
  - Apply for OHSA Voluntary Protection Program (VPP)

- **PLANT RELIABILITY**
  - Industry Best Practices
    - Participate in industry sessions focusing on best practices.
    - Have key personnel visit 3 plants and prepare trip reports on best practices observed.
    - Attend appropriate industry conferences and bring back learning in trip reports.
  - Reliability Centered Maintenance
    - Continue to perform Reliability Centered Maintenance evaluations of critical and problematic equipment and systems.
  - Contractor Quality Assurance
    - Provide 24 hour coverage of critical contractor work and require identification of critical hold points for inspection and verification.

Generation Excellence Initiative - 2008
Boardman Plant

- **HUMAN PERFORMANCE**
  - **Operations and Maintenance Training**
    - **Operations Manager will recertify CO's and ACO's annually.**
    - **Review adequacy of training procedures and qualification processes and compare with other PGE plants.**
    - **Continue computer based training for operations and maintenance personnel. Complete 15 modules/employee.**
    - **Develop a plan to upgrade system descriptions and study guides.**
    - **Evaluate maintenance training/staffing for long-term.**
  - **Simulator**
    - **Establish a training curriculum for operators.**
    - **Establish a training curriculum for non-operators.**
    - **Establish and implement a training schedule.**
  - **Staffing & Succession**
    - **Hire additional CO and ACO**
    - **Hire 1 planner to improve job planning processes.**
    - **Continue staffing and development plans.**
  - **Foreman & Supervisor Training**
    - **Provide Generation Excellence Leadership training to foremen and supervisors.**
    - **Provide team building sessions for plant management to reinforce supervisor sessions.**

Generation Excellence Initiative - 2008
Boardman Plant

- **PROCESS IMPROVEMENTS**
  - **Operations and Maintenance Procedures**
    - **Perform cross-crew review of 50% of operating procedures for accuracy.**
    - **Perform cross-crew review of all operating tests.**
    - **Incorporate lubrication best practices into procedures.**
    - **Review and update all maintenance procedures.**
  - **Root Cause & Corrective Action Program**
    - **Continue Root Cause Analysis for significant plant events.**
    - **Require contractors to provide an RCA for contractor problems.**
  - **Reliability Management Group (RMG) review work management process.**
  - **IT and Generation partner in Process Mapping of Maximo implementation.**

Generation Excellence Initiative - 2008
Coyote Plant

- **SAFETY**
  - **Submit application for OHSA Voluntary Protection Program (VPP).**
- **PLANT RELIABILITY**
  - **Industry Best Practices**
    - **Apply for best practice award from Combined Cycle Journal for our flow assisted corrosion management program.**
    - **Review Combined Cycle Journal, EPRI, and other industry best practices lists, evaluate those that are applicable to Coyote Springs, and adopt those that are appropriate for Coyote Springs.**
  - **Reliability Centered Maintenance**
    - **Establish RCM capabilities at Coyote Springs.**
    - **Perform two RCM analysis on critical plant components.**
  - **Contractor Quality Assurance**
    - **Oversee GE work to ensure that the work is done to meet the quality standards for HGP and CI work and our requirements.**

Generation Excellence Initiative - 2008
Coyote Plant

- **HUMAN PERFORMANCE**
  - **Operations Training**
    - **Provide training on all significantly updated procedures.**
    - **Every employee completes all Integrated Learning training in GPI Learn.**
    - **Every employee completes 25% of all advanced skill training courses in GPI Learn.**
    - **Provide training for our employees in processes and procedures employed for Hot Gas Path and Combustion Inspections by GE.**
  - **Staffing & Succession**
    - **Fill open Project Manager position.**
    - **Update succession plan.**
    - **Fill open technician position.**
  - **Employee Training**
    - **Achieve at least 80% participation in all Generation Excellence Leadership training.**
    - **Each employee participates in at least one vendor or industry training activity.**

Generation Excellence Initiative - 2008
Coyote Plant

- **PROCESS IMPROVEMENTS**
  - Operations and Maintenance Procedures
    - Review and update all plant procedures.
    - Incorporate GPi Learn procedures into plant qualifications program.
  - Work Management
    - Achieve 75% accurate reporting of time and materials to work orders in Maximo.
    - Improve staff efficiency in procurement process by additional training and requiring all staff to be fluent in these processes.
    - Employ the use of Microsoft Project to use information from Maximo for planning and executing all major work.
  - Root Cause & Corrective Action Program
    - Perform RCA and CA for all incidents meeting the criteria established for these programs.
    - Complete RCA training for all staff.

Generation Excellence Initiative - 2008
Port Westward Plant

- **SAFETY**
  - Implement the SafeStart Program.
  - Complete the SHARP Self-Assessment, prepare the action plan to direct the SHARP Program Implementation and work with Health and Safety and OR-OSHA to begin the site assessment.
- **PLANT RELIABILITY**
  - Industry Best Practices
    - Attend the M501G Users Group Meeting.
    - Attend the Mitsubishi Steam Turbine Users Group meeting.
    - Attend a HRSG seminar.
    - Send staff to visit at least one other M501G facility.
    - Continue to be active in the Emerson Ovation Users Group.
    - Continue reviewing the DCS alarm priorities and settings to reduce the number of alarms that come in during normal plant operation.
    - Continue the work on making DCS screens easier to view and assess system status.
  - Reliability Centered Maintenance
    - Review and implement as warranted the findings of the RCM review of the Beaver water plant and the Port Westward feed water system.
    - Prioritize plant systems for performance of RCM analysis. Perform RCM analysis on 2 systems.
    - Continue to use staff and industry experts to evaluate ways to improve system controls, operation, etc.

Generation Excellence Initiative - 2008
Port Westward Plant

- **PLANT RELIABILITY (continued)**
  - **Contractor Quality Assurance**
    - **Port Westward will provide plant staff for oversight of critical projects.**
- **HUMAN PERFORMANCE**
  - **Training and Procedures**
    - **Continue to identify training classes for plant staff to improve their capabilities in areas such as: Safety, Operation, Chemistry control, Maintenance, Scaffolding erection, Welding, Controls, Fire protection.**
    - **Continue to utilize computer based training.**
    - **Review the GPi Learn curriculum and assign modules to be completed in 2008.**
  - **Staffing & Succession**
    - **Support staffing and succession efforts – Two project managers will attend IPL.**
    - **Utilize mentors as warranted to guide personnel development.**
  - **Foreman & Supervisor Training**
    - **Continue to support the Generation Excellence Leadership program.**

Generation Excellence Initiative - 2008
Port Westward Plant

- **PROCESS IMPROVEMENTS**
  - **Procedures**
    - **Develop equipment maintenance procedures/guidelines. Incorporate into Maximo.**
  - **Work Management**
    - **Continue to utilize Maximo – input equipment, their PM's, inventory, etc.**
  - **Root Cause and Corrective Action Program**
    - **Continue to use Corrective Action and Root Cause Analysis (RCA) Programs to evaluate plant incidents.**

Generation Excellence Initiative - 2008
Pelton/Round Butte Project

- **SAFETY**
  - **Continue implementation of OSHA Sharp Certified program.**
- **PLANT RELIABILITY**
  - **Industry Best Practices**
    - **Attend Hydro Related Conference.**
    - **Visit Hydro Project similar in size and capacity as Round Butte or Pelton.**
  - **Reliability Centered Maintenance**
    - **Participate in PSES Reliability Centered Maintenance Program and develop model for Round Butte Generators/Turbines.**
- **HUMAN PERFORMANCE**
  - **Training**
    - **Operator Skills Maintenance Training. All Operators and qualified Hydro Relief Operators will complete year one training.**
    - **GPi Learn Online Training. Establish training curriculum for 2008 for each Project employee. Review with each Project employee their individual curriculum. Each employee will be required to complete no less then 15 modules. Review employee's progress quarterly.**
    - **Training Procedures - Develop, revise, initiate and continue training program for maintenance and operations personnel. Incorporate GPi Learn modules in programs.**

Generation Excellence Initiative - 2008
Pelton/Round Butte Project

- **HUMAN PERFORMANCE (Continued)**
  - **Staffing & Succession**
    - **Qualify Electrician to Wiremen classification.**
    - **Qualify Hydro Relief Operator applicant.**
  - **Foreman & Supervisor Training**
    - **Schedule and complete quarterly Generation Excellence Leadership program.**
- **PROCESS IMPROVEMENTS**
  - **Operations Procedures**
    - **Complete all PRB Project system descriptions and operating procedures.**
  - **Work Management**
    - **Implement the EPAC Maintenance Management System.**
    - **Maintenance Procedures**
      - **Complete Maintenance Procedures for Round Butte and Pelton Plants.**
  - **Root Cause & Corrective Action Program**
    - **Utilize Project personnel to Implement Root Cause & Corrective Action Programs when warranted.**

Generation Excellence Initiative - 2008
West Side Hydro Project

- **SAFETY**
    - **Maintain OHSA SHARP Certification.**
- **PLANT RELIABILITY**
    - **Industry Best Practices**
        - **Attend United States Society on Dams Annual Conference.**
        - **Attend Northwest Hydroelectric Association Conference.**
        - **Attend Hydro Vision Conference.**
        - **Visit Hydro Project.**
    - **Reliability Centered Maintenance**
        - **Participate in PSES Reliability Centered Maintenance Program and develop model for North Fork Turbine Generators.**
- **HUMAN PERFORMANCE**
    - **Operations and Maintenance Training**
        - **Operations Training -Develop Control Operator Training Program. To Include: HCO Training Procedure, Qualification Cards and 30% of the supporting system descriptions.**
        - **Computer Based Training Curriculum (GPi Learn) for West Side Hydro Employees**
        - **Specialized Training**
            - **Electricians – Generator Construction and Inspection & Generator Maintenance Seminar.**
            - **Mechanics – Machine Alignment Seminar**

Generation Excellence Initiative - 2008
West Side Hydro Project

- **HUMAN PERFORMANCE (continued)**
    - **Staffing & Succession - Update For 2008**
    - **Foreman & Supervisor Training**
        - **Continue quarterly Generation Excellence training. Broaden this training to include Management, Foremen and selected individuals with potential for future lead roles.**
- **PROCESS IMPROVEMENTS**
    - **Operations and Maintenance Procedures**
        - **Convert remaining plant procedures to DOE format.**
        - **Complete maintenance procedures for annual turbine generator outages.**
        - **Update West Side Hydro Administrative Orders**
    - **Work Management**
        - **Implement "EPAC" computer based Maintenance Management System**
    - **Root Cause & Corrective Action Program**
        - **Initiate Root Cause & Corrective action process as necessary.**

Generation Excellence Initiative - 2008
Biglow Wind Project

- **SAFETY**
  - **Implement the Safety Program**
- **PLANT RELIABILITY**
  - **Industry Best Practices**
    - **Actively participate in the American Wind Energy Association and the American Wind Integration Group**
    - **Remain active in the Vestas V-82 Owners User Group.**
  - **Reliability Centered Maintenance**
    - **Apply the RCM program on at least one major wind farm system problem Contractor Quality Assurance**
    - **Assure adequate level of oversight of Vestas and other contractors to assure optimum plant availability and protection of PGE assets.**
- **HUMAN PERFORMANCE**
  - **Operations Training**
    - **Develop outline for the Biglow plant training program. Begin development of at least two individual training modules.**

Generation Excellence Initiative - 2008
Biglow Wind Project

- **HUMAN PERFORMANCE** **(Continued)**
  - **Staffing & Succession**
    - **Hire Assistant (Project) Manager and two Wind Turbine Technicians.**
    - **Layout succession and hiring plan for Biglow staffing for full three phase build out.**
  - **Foreman & Supervisor Training**
    - **Participate in PGE Generation Excellence Leadership program. Assure that new staff complete leadership and other PGE training as needed.**
- **PROCESS IMPROVEMENTS**
  - **Operations Procedures**
    - **Develop basic outline for long term Biglow operations manual procedures. Complete at least two of the main procedures.**
  - **Work Management**
    - **Assure that Vestas is applying an effective work management system to optimize plant availability and reliability.**
    - **Establish a formal work management system for all other Biglow assets not covered by the Vestas Service Agreement.**
    - **Develop basic outline for long term Biglow maintenance manual procedures. Complete at least two of the main procedures.**
  - **Root Cause & Corrective Action Program**
    - **Utilize this PSES program, as appropriate, to evaluate plant incidents and assure implementation of appropriate corrective actions.**

Generation Excellence Initiative - 2008
PSES Department

- **PLANT RELIABILITY**
  - **Plant Reliability**
    - **Complete arc flash calculations and facilitate program implementation at the plants.**
  - **Continue Failure Modes and Effects Analysis (FMEA) process in major designs.**
  - **Reliability Centered Maintenance**
    - **Facilitate one RCM for the following plants: Beaver, Biglow, Boardman, Coyote Springs, Port Westward, East Side Hydro, and West Side Hydro.**
- **HUMAN PERFORMANCE**
  - **Staffing & Succession**
    - **Implement selected staffing & development plans.**
  - **Employee Training**
    - **Employees attend selected training.**
- **PROCESS IMPROVEMENTS**
  - **Root Cause & Corrective Action Program**
    - **Support plants in Root Cause Analysis (RCA) and Corrective Action Program (CAP).**
  - **Develop one Plant Reliability Steering Group reliability centered maintenance (RCM) procedure and post on intranet with corrective action procedure.**

Supervisory Seminars

- Q1- “**Decision Making**”
- Q2- “**Conflict Management** “
- Q3- “**Coaching, Feedback, Performance Management, Labor Relations**”
- Q4- “**Project Planning**”

June 18, 2008

TO: Lowrey Brown
Citizens' Utility Board

FROM: Randy Dahlgren
Director, Regulatory Policy & Affairs

PORTLAND GENERAL ELECTRIC
UE 197
PGE *Supplemental* Response to CUB Data Request
Dated May 19, 2008
Question No. 048

<u>Request:</u>

PGE is starting a new program, the Generation Excellence Program.

a. **Please provide a copy of the proposals (analyses, memos, and all other documentation) that was considered by Jim Piro, the Officers, and the Board of Directors concerning this new program.**
b. **How does this program benefit customers?**
c. **If the Company has engaged in multi-year planning for this program, does PGE forecast the amount of company resources invested in this program to increase, decrease, or remain the same in the next few years?**
d. **What is the total cost in the 2009 test year related to the Generation Excellence Program?**

<u>Response:</u>

The Generation Excellence initiative began in 2006 as an overall platform to create additional focus around plant reliability, safety, employee performance, and process improvements (i.e., it is a continuing and on-going emphasis on these activities). The platform consists primarily of on-going and some new programs. Because Generation Excellence is comprised of several existing programs, we are not formally tracking all of Generation Excellence costs as a separate project.

a. PGE objects to this request on the basis that it is overly broad and unduly burdensome. Without waiving its objection, PGE replies as follows: See PGE's Response to CUB Data Request No. 029. Upon further review, PGE has identified two additional presentations. Attachment 048-A is a presentation made to the Board of Directors in October 2006. This was for informational purposes only and was not acted upon by the Board. Dollar estimates contained in it were preliminary estimates and many were subsequently revised. Attachment 048-B is a presentation made to officers in 2008. Attachment 048-A is confidential and subject to Protective Order 08-133.

b. As discussed in PGE Exhibit 400, page 17, the Generation Excellence initiative benefits customers by improving safety, employee performance, plant reliability, and work processes. The increased training will help minimize the likelihood of outages due to operator errors and improve maintenance program implementation at our thermal and hydro plants.

c. The total costs in 2009 represent a consistent level of PGE's current plans for on-going costs.

d. As noted above, Generation Excellence is an overall umbrella that encompasses parts of many strategies to improve the quality and operations of our plants and includes activities and process improvements that were necessary to address identified needs across the generation function. For example, in addition to training, succession planning and overall work process improvements are considered to be part of this initiative. As discussed above, we do not formally track all of Generation Excellence costs separately; Attachment 048-C is our estimate of the costs related to the strategies. Attachment 048-C is confidential and subject to Protective Order 08-133.

   The increase in 2008 is primarily related to the addition of eight FTEs for the purpose of succession planning, work load management, and training. Three of these FTEs are existing employees that are part of the newly formed Reliability Centered Maintenance (RCM) group, which is discussed in more detail in PGE Exhibit 400, page 17. See also PGE Exhibit 400, pages 18 and 19 for a general discussion of FTEs.

Supplemental Response June 18, 2008:

Attached is a revised version of PGE Attachment 048-C. Upon further review, PGE observed that some of the totals in Attachment 048-C did not correctly sum. The totals were "hard-coded" numbers rather than formulas; therefore as the attachment was finalized, changes were not reflected in the subtotals. This has been corrected in the updated version, Attachment 048-D. Attachment 048-E shows a mark up of the original Attachment 048-C, to reflect where the new totals can be found.

No additional dollars were added, nor have their classification changed, only the subtotals and subsequently the totals, were corrected. The change primarily affected 2008 and 2009 labor incremental and non incremental subtotals. The grand total for Generation Excellence in 2009 was unaffected. Attachments 048-D and 048-E are confidential and subject to Protective Order No. 08-133.

This Exhibit is Confidential and Subject to Protective Order

**This Exhibit is
Confidential and Subject
to Protective Order**

May 8, 2008

TO: Vikie Bailey-Goggins
Oregon Public Utility Commission

FROM: Randy Dahlgren
Director, Regulatory Policy & Affairs

PORTLAND GENERAL ELECTRIC
UE 197
PGE Response to OPUC Data Request
Dated April 21, 2008
Question No. 269

Request:

Please provide a summary for each year of the amount PGE has spent on Research and Development for the years 2002 through 2007.

a. Please provide a breakout for each year identifying the major projects PGE researched and the amount spent in that category for the time period between 2002 and 2007.

b. Please identify the amount budgeted for 2008 and 2009 for in each major category PGE identifies as projects for research and development.

Response:

See Attachment 269-A that provides annual R&D projects and amounts spent for the years 2002 through 2007.

PGE did not conduct R&D projects in 2003. Company-wide efforts at cost containment were the driving factor in this decision. In the period 1994 to present, this was the only time where R&D, as a corporate function, was not pursued.

See Attachment 269-B which provides 2008 and 2009 budgets for R&D projects.

PGE Research and Development Costs

	Year	Expenditures	
Historic	2002	$385,003	
	2003	$0	*
	2004	$219,421	
	2005	$338,983	
	2006	$167,123	
	2007	$307,725	
Budgeted	2008	$256,076	
Average	'02-'08	$239,190	
UE 197	2009	$1,995,000	

2002-2007 data is from PGE's response to OPUC 269-A
2008 data is from PGE's response to OPUC 269-B-1
2009 data is from PGE's response to OPUC 269-B-2

*PGE did not conduct R&D projects in 2003.
A Company-wide effort at cost containment was the driving factor in this decision.

Oregon Energy Assistance Program
Report to the 74th Legislative Assembly
From Oregon Housing & Community Services
December 31, 2006

INTRODUCTION

The Oregon Energy Assistance Program (OEAP) was created by the 1999 Oregon Legislature as part of SB 1149. ORS 757.617 (2) states "The Oregon Housing & Community Services Department shall prepare a biennial report to the Legislative Assembly describing program spending and needs for low-income bill assistance." This report meets that requirement.

WHAT IS THE PURPOSE OF OEAP?

According to ORS 757.612 (7)(d), this program was created "…for the purpose of providing low-income bill payment and crisis assistance, including programs that effectively reduce service disconnections and related costs to retail electricity consumers and electric utilities. Priority assistance shall be directed to low-income electricity consumers who are in danger of having their electricity service disconnected." The program is specific to Oregon's investor-owned utilities: Portland General Electric and PacifiCorp and their customers.

WHAT IS THE NEED?

Using the 2005 American Community Survey (ACS) data, Oregon Housing & Community Services (OHCS) estimates 419,000 households are eligible for energy assistance in Oregon. Of those, fewer than 20% receive services from OEAP or the federally funded Low-Income Energy Assistance Program (LIEAP), which is also administered through OHCS.

Low-income households pay a disproportionate share of their income to maintain energy services. According to a recent study (see table below) on home energy affordability, Oregon households with incomes below 50% of the federal poverty level pay over 34% of their annual income to energy bills. For households between 50% and 100% of poverty, the energy burden averages 12%, more than twice that of a non low-income household. The 2005 ACS identifies 197,800 Oregon households that fall below the federal poverty level.

Poverty Level	Home Energy Burden
Below 50%	34.4%
50-74%	13.8%
75-99%	9.9%
100-124%	7.7%
125-149%	6.3%
150-185%	5.2%

Source: *On the Brink*, Fisher, Sheehan & Colton, April 2006

Low-income households often have problems with late or missed payments, arrearages or debt, and face disconnection of utility services. Consequences of even short periods of service disconnection include failing health of seniors, depressed performance of children in school and deterioration of housing stock. More severe consequences include loss of eligibility for other support programs (e.g. eviction from subsidized housing), homelessness and death. A 2005 survey report by the National Energy Assistance Directors' Association, found that recipients of energy assistance reported the following consequences of unaffordable energy bills:

- 20% went without food for at least one day,
- 32% went without filling a prescription or taking a full dose of a prescribed medicine,
- 16% became sick because their home was too cold,
- 20% said they were not able to pay their energy bills due to medical expenses, and
- 73% reduced expenses for household necessities because they did not have enough money for their energy bills.

WHO IS SERVED BY OEAP?

Income eligibility requirements for OEAP are the same as the federally funded LIEAP program. An applicant's household income must be at or below 60% of the Oregon Median Income. As of October 1, 2006 for a household of one, this is $19,110 per year; for a household of four it is $36,750. There are two levels of bill assistance payments and a higher payment is issued for households that fall below 100% of the Federal Poverty Guidelines for Oregon. For a household of one, that cap is $9,800 per year, and for a household of four, it is $20,000.

However, these figures do not reflect well who is actually served. The average income of households served by OEAP during the program year 2006, which ended September 30, 2006, was $11,610 per year. This average household had just over three residents, which means their per capita income was $3,922 and well below the Federal Poverty Level. See Attachment A for tables with the federal poverty guidelines and Oregon 60% income guidelines.

In program year 2006, 22,514 households were served by OEAP. Of these, 2,570 households included senior citizens and 5,615 included a member who was disabled. The table below describes who was served during the last two program years. This data was pulled from the OHCS OPUS reporting system created to manage agency programs.

Client Information	Program Year 2005	Program Year 2006
Households Served	22,350	22,514
Clients Served	67,261	66,532
Ave. Payment	$319	$321
Ave Income per Household	$12,216	$11,610
Per capita income	$4,058	$3,932
Households served below Federal Poverty Level	72%	70%

Oregonians served by OEAP (customers of PGE or PacifiCorp) come from 29 of the 36 counties in the state including:

- Benton
- Clackamas
- Clatsop
- Columbia
- Coos
- Crook
- Deschutes
- Douglas
- Gilliam
- Hood River
- Jackson
- Jefferson
- Josephine
- Klamath
- Lake
- Lane
- Lincoln
- Linn
- Marion
- Morrow
- Multnomah
- Polk
- Sherman
- Tillamook
- Umatilla
- Wallowa
- Wasco
- Washington
- Yamhill

SERVICE DELIVERY

The OEAP bill assistance program is delivered through a network of community action agencies throughout Oregon, which deliver a myriad of anti-poverty programs to low-income clients. This creates efficiency of operations plus assures that clients are able to access multiple services that are designed to help them move away from dependency while assisting them with their immediate crisis. OEAP services are available year around or until funds are exhausted.

OHCS is working with this network to develop energy education and case management services to help clients move toward self-sufficiency. This approach, which is called Energy Efficiency and Consumer Competence or E2C2, has been tested the last two years through a federal REACH grant with three agencies in five counties. This effort has now been expanded to nine agencies through use of Duke and El Paso Settlement funds secured through the Department of Justice. More agencies are considering participation. Major components of the program include:

- Household needs assessment,

- Web-based linkage to Oregon Helps,
- Consumer education about how to reduce energy usage and costs,
- Energy bill assistance through OEAP and LIEAP,
- Bill payment options (including incentives to make regular payments),
- Weatherization services,
- Energy saving kits, and
- Case management that links clients to additional services with the goal of increased self-sufficiency skills

PROGRAM REVENUE AND SPENDING

The following table describes the revenue and spending for the OEAP program for program year 2005 (October 1, 2004 to September 30, 2005), and program year 2006 (October 1, 2005 to September 30, 2006).

REVENUE

OEAP program revenue is from meter charges collected from residential and retail electric consumers of investor-owned utilities in Oregon. Currently this includes Portland General Electric and PacifiCorp (Pacific Power) and is currently set at $0.33 per month per residential meter and 0.033 cents per kWh not to exceed $500 per site per month for retail electric consumers. ORS 757.612 (7)(b) sets the annual collections at $10 million.

EXPENSES

OHCS Administration

OHCS receives the meter charges collected by the utilities and manages contracts and distribution of funds to the 17 partner agencies. OHCS provides contract management, monitoring for grant compliance, accounts payable/receivable, OPUS database system and management, program monitoring, training and technical support. These expenses cannot exceed 5% of the receipts. In the most recent program year (2006) OHCS operated the program on 2.0% for administration.

Partner Agency Administration

Each community action agency provides contract management, supervision of staff and accounts payable/receivable in administering OEAP. In PY 06 agency administration averaged 8.5%. Federal funds cannot be used to pay other program expenses, so agencies need funds to cover their actual costs of administering this program. Any unexpended funds are moved to client vendor payments.

Program Delivery

Agencies incur costs directly related to delivery of OEAP services to clients. These program specific expenses are paid for on a cost reimbursement basis as program delivery expenses. Common expenses include payroll for service workers, direct program management, telephones, supplies, postage and office space costs. Again, federal funds cannot be used to pay other program expenses, so agencies need funds to cover their actual costs of administering this program. The average reimbursement for program delivery costs for PY 06 was 12.4%.

Client Vendor Payments

Partner agencies make vendor payments directly to utilities on behalf of their clients. These payments reconnect a customer whose electricity has been shutoff or prevents a shutoff from occurring. In PY 06, on average, more than 77% of OEAP funds were paid for electrical service.

OEAP Funding
Program Years 2005 & 2006
For Report to Oregon Legislative Assembly

	PY 05	PY 06
Revenue		
PGE	$6,093,543	$5,722,878
PacifiCorp	$4,233,073	$3,983,385
Interest	$129,289	$240,465
Total Revenue	$10,455,905	$9,946,727
Expenditures		
OHCS Admin	$264,937	$189,571
Agency Admin	$784,748	$807,079
Agency Program Delivery	$1,207,290	$1,171,459
Agency Client Vendor Payments	$7,129,467	$7,299,556
Total Expenditures	$9,386,442	$9,467,665
Revenues Over/Under Expenditures	$1,069,462.61	$479,062.02

Note: The monthly meter rate was lowered in April 2005 through action by the Public Utility Commission to balance receipts as per ORS 757.612.

CONCLUSION

The OEAP program has a major impact in helping low-income Oregonians meet basic needs, as well as achieving the goal of reducing electrical service disconnections. This is achieved through energy assistance payments and collaboration with our network partners to provide additional services to move households toward self-sufficiency. Improvements result in health and safety. The federal LIEAP program is far from able to meet the need for bill payment assistance in Oregon, so OEAP extends the reach into more households. The system for delivery of the service is effective and cost-efficient and takes advantage of existing service providers that already work locally with low-income households. It provides a model of collaboration that helps assure the multiple needs of low-income families are met by bringing together resources from the public and private sector.

Attachment A

POVERTY GUIDELINES
For Use in Federal Fiscal Year 2007
2006 Federal Poverty Guidelines at 100% – Source HHS

Household Unit Size	**Annual Income**	**Monthly Income**
1	$9,800.00	$816.66
2	$13,200.00	$1,100.00
3	$16,600.00	$1,383.33
4	$20,000.00	$1,666.66
5	$23,400.00	$1,950.00
6	$26,800.00	$2,233.33
7	$30,200.00	$2,516.66
8	$33,600.00	$2,800.00
9	$37,000.00	$3,083.33
10	$40,400.00	$3,366.66
11	$43,800.00	$3,650.00
Each Additional Member	$3,400.00	$283.33

60% of State Median Income by Household Size
For Use in Federal Fiscal Year 2007
Estimated State Median by Household Size – Source HHS

Household Unit Size	**Annual Income**	**Monthly Income**
1	$19,110.00	$1,592.50
2	$24,990.00	$2,082.50
3	$30,870.00	$2,572.50
4	$36,750.00	$3,062.50
5	$42,630.00	$3,552.50
6	$48,510.00	$4,042.50
7	$49,613.00	$4,134.41
8	$50,715.00	$4,226.25
9	$51,818.00	$4,318.16
10	$52,920.00	$4,410.00
11	$54,022.00	$4,501.83
Each Additional Member	$1,102.50	$91.87

June 3, 2008

TO: Lowrey Brown
Citizens' Utility Board

FROM: Randy Dahlgren
Director, Regulatory Policy & Affairs

PORTLAND GENERAL ELECTRIC
UE 197
PGE Response to CUB Data Request
Dated May 19, 2008
Question No. 042

Request:

With regard to the PGE employee discount:

a. **How many employees are eligible for this discount and live in PGE territory? Please provide the number and the percentage.**
b. **How many employees are eligible for this discount, but do not live in PGE territory? Please provide the number and the percentage.**
c. **What is PGE's rationale for providing this discount?**

Response:

a. **How many employees are eligible for this discount and live in PGE territory? Please provide the number and the percentage.**

In December 2007, PGE had 2,521 active and retiree participants in the employee discount program. Eligibility criteria are provided in Attachment 042-A. Since it is the responsibility of the employee to apply for the discount, PGE does not track whether there are employees who are eligible but do not receive the benefit.

b. **How many employees are eligible for this discount, but do not live in PGE territory? Please provide the number and the percentage.**

None. Employees who reside outside PGE's service territory are not eligible for the discount.

c. **What is PGE's rationale for providing this discount?**

Providing an employee discount is a common business practice. Employee discounts provide a low-cost benefit to assist recruitment and retention.

July 2, 2008

TO: Lowrey Brown
Citizens' Utility Board

FROM: Randy Dahlgren
Director, Regulatory Policy & Affairs

PORTLAND GENERAL ELECTRIC
UE 197
PGE Response to CUB Data Request
Dated June 25, 2008
Question No. 080

Request:

Are PGE employees who perform unregulated activities eligible for the employee discount? If so, is the cost of this employee discount included in the UE 197 test year?

Response:

Those PGE employees meeting the eligibility requirements as defined in PGE's Response to CUB Data Request No. 079, Attachment 079-A, are eligible for the employee discount. This includes employees who may be conducting unregulated activities.

Yes, the cost of the employee discount is included in the UE 197 test year. As described in PGE's Response to OPUC Data Request No. 377, PGE's regulated operations payroll totals $222.5 million for the 2009 test year (as provided in work papers to PGE Exhibit 800). PGE's total operations payroll forecast for 2009 is $225.2 million. Thus, on this basis, PGE non-regulated operations are 1.2% of total operations.

July 2, 2008

TO: Lowrey Brown
Citizens' Utility Board

FROM: Randy Dahlgren
Director, Regulatory Policy & Affairs

PORTLAND GENERAL ELECTRIC
UE 197
PGE Response to CUB Data Request
Dated June 25, 2008
Question No. 084

Request:

Did PGE include the employee discount in its compensation study referenced at PGE/800/Barnett-Bell/6/9-11?

Response:

None of the studies referenced in PGE/800/Barnett-Bell/6/9-11 include an analysis of the employee discount.

July 7, 2008

TO: Lowrey Brown
Citizens' Utility Board

FROM: Randy Dahlgren
Director, Regulatory Policy & Affairs

PORTLAND GENERAL ELECTRIC
UE 197
PGE Response to CUB Data Request
Dated June 25, 2008
Question No. 088

Request:

What is the average annual salary of a full-time PGE employee?

Response:

Attachment 088-A is a calculation of average annual salary per FTE. The calculation is based on data available in PGE's original workpapers identifying straight-time wages and salaries, and in PGE's Supplemental Response to ICNU Data Request No. 267, confidential Attachment 267-A, where PGE calculates 2009 officer salaries to be deducted. The information provided to ICNU is included as Attachment 088-B. Attachment 088-B is confidential and subject to Protective Order No. 08-133.

PGE Response to CUB Data Request No. 088
Attachment 088-A

Average Annual Salary per FTE

	2009	Source
Utility Straight-Time Wages & Salaries	$ 209,609,741	Exhibit 800, Workpaper 2
Less: 2009 Officer Salaries	$ 3,445,416	PGE Supp. Response to ICNU DR 267-A
Total	$ 206,164,325	
Total Utility Straight-Time FTE	2,733	Exhibit 800, Workpaper 1
Less: Officer FTEs	12	
Total	2,721	
	$ 75,764	**Average annual salary per FTE**

Source: U.S. Bureau of Economic Analysis and Bureau of the Census

Table 1 A. Per Capita Personal Income, Personal Income, and Population, by State and Region, 2006-2007

	Per capita personal income [Dollars]								Personal income [Millions of dollars]				Population [Thousands of persons]			
			Rank in the U.S.		Percent of the U.S.											
	2006r	2007p	2006r	2007p	2006r	2007p	Percent change 2006-07	Rank of percent change, 2006-07	2006r	2007p	Percent change 2006-07	Rank of percent change, 2006-07	2006r	2007p	Percent change 2006-07	Rank of percent change, 2006-07
United States	**36,714**	**38,611**	--	–	**100**	**100**	**5.2**	–	**10,968,393**	**11,645,882**	**6.2**	--	**298,755**	**301,621**	**1.0**	–
New England																
Connecticut	50,762	54,117	1	1	138	140	6.6	4	177,453	189,535	6.8	10	3,496	3,502	0.2	43
Maine	32,095	33,722	36	35	87	87	5.1	27	42,202	44,418	5.3	41	1,315	1,317	0.2	45
Massachusetts	46,299	49,082	3	3	126	127	6.0	8	297,905	316,568	6.3	26	6,434	6,450	0.2	41
New Hampshire	39,753	41,512	7	8	108	108	4.4	39	52,149	54,622	4.7	48	1,312	1,316	0.3	38
Rhode Island	37,523	39,463	17	17	102	102	5.2	23	39,835	41,745	4.8	47	1,062	1,058	-0.4	50
Vermont	34,871	36,670	22	23	95	95	5.2	25	21,647	22,782	5.2	42	621	621	0.1	47
Mideast																
Delaware	39,131	40,608	11	12	107	105	3.8	48	33,369	35,116	5.2	43	853	865	1.4	14
District of Columbia	57,746	61,092	--	--	157	158	5.8	--	33,808	35,940	6.3	--	585	588	0.5	--
Maryland	43,788	46,021	5	5	119	119	5.1	26	245,303	258,561	5.4	39	5,602	5,618	0.3	39
New Jersey	46,763	49,194	2	2	127	127	5.2	22	405,254	427,297	5.4	38	8,666	8,686	0.2	42
New York	44,027	47,385	4	4	120	123	7.6	2	848,937	914,432	7.7	5	19,282	19,298	0.1	46
Pennsylvania	36,825	38,788	19	19	100	100	5.3	21	456,732	482,245	5.6	35	12,403	12,433	0.2	40
Great Lakes																
Illinois	38,409	40,322	14	16	105	104	5.0	28	490,755	518,245	5.6	34	12,777	12,853	0.6	33
Indiana	32,288	33,616	33	37	88	87	4.1	44	203,502	213,302	4.8	46	6,303	6,345	0.7	31
Michigan	33,788	35,086	26	26	92	91	3.8	46	341,337	353,376	3.5	50	10,102	10,072	-0.3	49
Ohio	33,320	34,874	27	28	91	90	4.7	35	381,963	399,897	4.7	49	11,464	11,467	0.0	48
Wisconsin	34,405	36,047	25	25	94	93	4.8	32	191,726	201,921	5.3	40	5,573	5,602	0.5	35
Plains																
Iowa	33,038	35,023	29	27	90	91	6.0	9	98,208	104,651	6.6	18	2,973	2,988	0.5	34
Kansas	34,799	36,768	23	22	95	95	5.7	16	95,901	102,069	6.4	23	2,756	2,776	0.7	28
Minnesota	38,859	41,034	13	11	106	106	5.6	17	200,300	213,282	6.5	22	5,155	5,198	0.8	26
Missouri	32,789	34,389	30	32	89	89	4.9	31	191,413	202,153	5.6	33	5,838	5,878	0.7	29
Nebraska	34,440	36,471	24	24	94	94	5.9	11	60,744	64,721	6.5	19	1,764	1,775	0.6	32
North Dakota	32,763	34,846	31	29	89	90	6.4	5	20,885	22,291	6.7	13	637	640	0.4	37
South Dakota	32,030	33,905	38	34	87	88	5.9	12	25,255	26,996	6.9	8	788	796	1.0	20
Southeast																
Alabama	30,894	32,404	41	42	84	84	4.9	30	141,811	149,959	5.7	32	4,590	4,628	0.8	27
Arkansas	28,473	30,060	48	48	78	78	5.6	18	79,983	85,214	6.5	20	2,809	2,835	0.9	22
Florida	36,720	38,444	20	20	100	100	4.7	34	663,077	701,647	5.8	30	18,058	18,251	1.1	19
Georgia	32,095	33,457	36	38	87	87	4.2	42	299,834	319,339	6.5	21	9,342	9,545	2.2	5
Kentucky	29,729	31,111	46	46	81	81	4.6	36	124,993	131,956	5.6	36	4,204	4,241	0.9	24
Louisiana	31,821	34,756	40	31	87	90	9.2	1	135,026	149,214	10.5	1	4,243	4,293	1.2	16
Mississippi	27,028	28,845	50	50	74	75	6.7	3	78,356	84,193	7.4	6	2,899	2,919	0.7	30
North Carolina	32,247	33,636	34	36	88	87	4.3	40	286,010	304,781	6.6	17	8,869	9,061	2.2	6
South Carolina	29,767	31,013	45	47	81	80	4.2	43	128,893	136,696	6.1	28	4,330	4,408	1.8	10
Tennessee	32,172	33,280	35	39	88	86	3.4	49	195,441	204,896	4.8	45	6,075	6,157	1.3	15
Virginia	39,540	41,347	9	9	108	107	4.6	37	302,098	318,873	5.6	37	7,640	7,712	0.9	21
West Virginia	28,206	29,537	49	49	77	76	4.7	33	51,016	53,522	4.9	44	1,809	1,812	0.2	44
Southwest																
Arizona	31,936	33,029	39	40	87	86	3.4	50	196,909	209,361	6.3	25	6,166	6,339	2.8	2
New Mexico	29,929	31,474	43	43	82	82	5.2	24	58,131	62,002	6.7	14	1,942	1,970	1.4	13
Oklahoma	32,391	34,153	32	33	88	88	5.4	19	115,881	123,541	6.6	16	3,578	3,617	1.1	18
Texas	35,166	37,187	21	21	96	96	5.7	15	823,159	888,926	8.0	4	23,408	23,904	2.1	7
Rocky Mountain																
Colorado	39,491	41,042	10	10	108	106	3.9	45	188,222	199,525	6.0	29	4,766	4,862	2.0	8
Idaho	29,920	31,197	44	44	81	81	4.3	41	43,800	46,776	6.8	11	1,464	1,499	2.4	4
Montana	30,790	32,458	42	41	84	84	5.4	20	29,152	31,090	6.6	15	947	958	1.2	17
Utah	29,406	31,189	47	45	80	81	6.1	7	75,853	82,506	8.8	2	2,580	2,645	2.6	3
Wyoming	40,655	43,226	6	6	111	112	6.3	6	20,846	22,600	8.4	3	513	523	2.0	9
Far West																
Alaska	38,138	40,352	16	15	104	105	5.8	13	25,836	27,580	6.7	12	677	683	0.9	23
California	39,626	41,571	8	7	108	108	4.9	29	1,436,446	1,519,547	5.8	31	36,250	36,553	0.8	25
Hawaii	37,023	39,239	18	18	101	102	6.0	10	47,340	50,359	6.4	24	1,279	1,283	0.4	36
Nevada	38,994	40,480	12	13	106	105	3.8	47	97,189	103,847	6.9	9	2,492	2,565	2.9	1
Oregon	33,299	34,784	28	30	91	90	4.5	38	122,909	130,353	6.1	27	3,691	3,747	1.5	11
Washington	38,212	40,414	15	14	104	105	5.8	14	243,597	261,415	7.3	7	6,375	6,468	1.5	12
BEA regions																
New England	44,327	46,948	1	1	121	122	5.9	2	631,192	669,670	6.1	6	14,239	14,264	0.2	8
Mideast	42,696	45,350	2	2	116	117	6.2	1	2,023,404	2,153,591	6.4	3	47,391	47,488	0.2	7
Great Lakes	34,819	36,401	5	6	95	94	4.5	8	1,609,282	1,686,741	4.8	8	46,218	46,338	0.3	6
Plains	34,791	36,715	6	4	95	95	5.5	3	692,706	736,163	6.3	4	19,910	20,051	0.7	5
Southeast	33,212	34,804	8	8	90	90	4.8	6	2,486,538	2,640,290	6.2	5	74,869	75,862	1.3	3
Southwest	34,026	35,831	7	7	93	93	5.3	4	1,194,081	1,283,830	7.5	1	35,093	35,830	2.1	2
Rocky Mountain	34,849	36,474	4	5	95	94	4.7	7	357,873	382,498	6.9	2	10,269	10,487	2.1	1
Far West	38,872	40,800	3	3	106	106	5.0	5	1,973,317	2,093,100	6.1	7	50,764	51,301	1.1	4

[r] revised

[p] preliminary

Source: U.S. Bureau of Economic Analysis and Bureau of the Census

April 4, 2008

TO: Lowrey Brown
Citizens' Utility Board

FROM: Randy Dahlgren
Director, Regulatory Policy & Affairs

PORTLAND GENERAL ELECTRIC
UE 197
PGE Response to CUB Data Request
Dated March 20, 2008
Question No. 008

Request:

Please describe the processes that the Company went through to authorize the following new costs, and name the individual or individuals who had final approval over the inclusion of that cost in a rate filing:

a. **The requested authorized return on equity of 10.75%;**
b. **The 50% increase in corporate communications and public affairs;**
c. **WebSphere; and**
d. **The school curriculum proposal that PGE made in December 2007.**

Response:

a. The process to determine the appropriate required return on equity is contained in PGE Exhibits 900 and 1000. Dr. Zepp, along with Ms. Fowler, Mr. Piro and Mr. Hager, had final approval.

b. The $700,000 increase in corporate communications and public affairs costs from 2007 to 2009 (i.e., a 50% increase from $1.4 million to $2.1 million) is attributable to the Sherman County Strategic Investment Program (SIP) Payments as described in PGE Exhibit 500, Page 14. PGE applied the SIP costs to public affairs and they ultimately result in lower property taxes than would otherwise have been incurred for Biglow Canyon 1. Mr. Piro, Mr. Dahlgren and Mr. Hager had final approval.

c. PGE purchased IBM's WebSphere Business Process Server tools and Portal tools in 2006 and designated it as a company standard. This technology has far reaching benefits throughout the company, primarily in the area of gaining process efficiencies. The new costs identified in the 2009 test year budget are primarily to expand the current capacity of this technology.

To determine these costs, PGE's application and WebSphere infrastructure specialists review 2008 & early 2009 projects for dependencies upon WebSphere infrastructure, including Portal and middleware technologies. Projects with an dependence are then evaluated for capacity requirements; in terms of concurrent users, request per minute/day, and other similar measurements. From that, PGE's overall additional demand for WebSphere infrastructure capacity is estimated. Comparing that estimate to the current WebSphere capacity results in an estimate for the next year's purchases.

The final decision to include these costs was made by Cam Henderson, VP Chief Information Officer and Jim Piro, Executive VP Finance, Chief Financial Officer & Treasurer.

d. The school curriculum proposal was not part of the UE-197 filing. The school curriculum proposal was part of a supplemental energy efficiency initiative based on SB-838 legislation. It was withdrawn from Advice 07-25 on February 1, 2008.

April 30, 2008

TO: Lowrey Brown
Citizens' Utility Board

FROM: Randy Dahlgren
Director, Regulatory Policy & Affairs

PORTLAND GENERAL ELECTRIC
UE 197
PGE Response to CUB Data Request
Dated April 23, 2008
Question No. 034

Request:

PGE states that the $700,000 increase in corporate communications and public affairs costs from 2007 to 2009 (*i.e.*, a 50% increase from $1.4 million to $2.1 million) is attributable to the Sherman County Strategic Investment Program Payments as described in PGE Exhibit 500, pages 2, 4, 14 (response to CUB data request 8).

- **e. How are these costs functionalized?**
- **f. For rate spread purposes, what is the basis for cost allocation to customer class?**

Response:

a. Because they were part of Corporate Communications and Public Affairs, the Sherman County Strategic Investment program Payment was classified as "Support" and functionalized as follows:

Generation	25.8%
Transmission	5.1%
Distribution	42.5%
Billing	6.7%
Metering	5.0%
Consumer	14.1%
Trojan	0.7%

b. PGE Exhibit 1204 pages 4-18 demonstrate how each of the functionalized categories above were spread to the individual rate schedules.

UE 197 – CERTIFICATE OF SERVICE

I hereby certify that on this 9th day of July 2008, I served the foregoing Direct Testimony of the Citizens' Utility Board of Oregon in docket UE 197 upon each party listed, by sending a non-confidential version via email and, where paper service is not waived, by U.S. mail, postage prepaid, and by sending a confidential version to the appropriate parties as identified on the service list by U.S. mail, postage prepaid, and upon the Commission by emailing a non-confidential version and by sending 6 confidential copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

Respectfully submitted,

Jason Eisdorfer Attorney #92292
The Citizens' Utility Board of Oregon

Summary Report

UE 197 PORTLAND GENERAL ELECTRIC

Category: Electric Rate Case

Filed By: PORTLAND GENERAL ELECTRIC

This filing requests a general rate revision.

Filing Date: 2/27/2008 **Advice No:** 08-02

Effective Date: 1/1/2009 **Expiration Date:** 12/31/2008 **Status:** SUSPENDED

See also: UE 198

Final Order: **Signed:** 2/27/2008

SERVICE LIST:

JIM ABRAHAMSON -- CONFIDENTIAL
COMMUNITY ACTION DIRECTORS OF OREGON
PO BOX 7964
SALEM OR 97301

STEPHANIE S ANDRUS -- CONFIDENTIAL
DEPARTMENT OF JUSTICE
REGULATED UTILITY & BUSINESS SECTION
1162 COURT ST NE
SALEM OR 97301-4096

KURT J BOEHM -- CONFIDENTIAL
BOEHM KURTZ & LOWRY
36 E SEVENTH ST - STE 1510
CINCINNATI OH 45202

LOWREY R BROWN -- CONFIDENTIAL
CITIZENS' UTILITY BOARD OF OREGON
610 SW BROADWAY - STE 308
PORTLAND OR 97205

ROGER D. COLTON
FISHER SHEEHAN & COLTON
34 WARWICK RD
BELMONT MA 02478

JOAN COTE -- CONFIDENTIAL
OREGON ENERGY COORDINATORS ASSOCIATION
2585 STATE ST NE
SALEM OR 97301

JIM DEASON
ATTORNEY AT LAW
1 SW COLUMBIA ST, SUITE 1600
PORTLAND OR 97258-2014

JASON EISDORFER -- CONFIDENTIAL
CITIZENS' UTILITY BOARD OF OREGON
610 SW BROADWAY STE 308
PORTLAND OR 97205

RANDALL J FALKENBERG -- CONFIDENTIAL
RFI CONSULTING INC
PMB 362
8343 ROSWELL RD
SANDY SPRINGS GA 30350

ROBERT JENKS -- CONFIDENTIAL
CITIZENS' UTILITY BOARD OF OREGON
610 SW BROADWAY STE 308
PORTLAND OR 97205

JUDY JOHNSON -- CONFIDENTIAL
PUBLIC UTILITY COMMISSION
PO BOX 2148
SALEM OR 97308-2148

MICHAEL L KURTZ -- CONFIDENTIAL
BOEHM KURTZ & LOWRY
36 E 7TH ST STE 1510
CINCINNATI OH 45202-4454

KIP PHEIL -- CONFIDENTIAL
OREGON DEPARTMENT OF ENERGY
625 MARION ST NE - STE 1
SALEM OR 97301-3737

JANET L PREWITT -- CONFIDENTIAL
DEPARTMENT OF JUSTICE
1162 COURT ST NE
SALEM OR 97301-4096

Summary Report

UE 197 PORTLAND GENERAL ELECTRIC

JESSE D. RATCLIFFE -- CONFIDENTIAL
ASSISTANT ATTORNEY GENERAL
1162 COURT ST NE
SALEM OR 97301-4096

PATRICK HAGER RATES & REGULATORY AFFAIRS -- CONFIDENTIAL
PORTLAND GENERAL ELECTRIC
121 SW SALMON ST 1WTC0702
PORTLAND OR 97204

DOUGLAS C TINGEY -- CONFIDENTIAL
PORTLAND GENERAL ELECTRIC
121 SW SALMON 1WTC13
PORTLAND OR 97204

S BRADLEY VAN CLEVE -- CONFIDENTIAL
DAVISON VAN CLEVE PC
333 SW TAYLOR - STE 400
PORTLAND OR 97204

SCOTT WINKELS
LEAGUE OF OREGON CITIES
PO BOX 928
SALEM OR 97308