



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

July 21, 2017

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street, S.E.
P.O. Box 1088
Salem, OR 97308-1088

RE: UM 1422 PGE's Application for Waiver of OAR 860-038-0640

Enclosed for filing is Portland General Electric Company's application for waiver of Oregon Administrative Rule (OAR) 860-038-0640.

Should you have any questions or comments regarding this filing, please contact me at (503) 464-8718. Please direct all formal correspondence and requests to the following email address pge.opuc.filings@pgn.com

Sincerely,

A handwritten signature in black ink that reads "Karla Wenzel". The signature is written in a cursive, flowing style.

Karla Wenzel
Manager, Pricing and Tariffs

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1422

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Waiver of OAR 860-038-0640,
Compliance Filings Related to OAR 860-038-
0500 through 860-038-0620

**APPLICATION OF PORTLAND
GENERAL ELECTRIC COMPANY**

Pursuant to OAR 860-038-0001(4), Portland General Electric Company (PGE) hereby requests that the Commission temporarily waive the compliance requirement contained in OAR 860-038-00640 that requires the filing of a “verified report prepared by an independent third-party regarding the electric company’s compliance with OAR 860-038-0500 through 860-038-0620 for the prior two calendar years.” For good cause, PGE requests Commission approval to demonstrate compliance by having its Internal Audit Department, rather than a third party, conduct the review and submit the verified report.

Some months ago, in preparing for the third party review, PGE released a Request for Proposals (RFP) to solicit bids from prospective third party bidders to perform the review. Only one bidder submitted a proposal to conduct the review. Following the bid submission, in negotiations with PGE, the bidder noted that it would considerably increase the bid price if the bidder were to attach its name to the report filed for compliance purposes with the Public Utility Commission. For the bid price submitted, the bidder stated that it could assist with the review, perform interviews of key PGE personnel, review records and draft a report but that the report would have to be submitted by PGE. This, the bidder stated, was its corporate policy with regard

to compliance reporting to governmental entities under the applicable consulting and review standards intended in the bid price.

PGE reached out to OPUC Staff to discuss this matter on July 13, 2017, and Staff encouraged the filing of this waiver request. While PGE recognizes the importance of the independence established by the verified third party review requirement in this rule, we believe that sufficient independence can be achieved with our Internal Auditors doing the work. PGE's Internal Audit department fits organizationally in the General Counsel's organization; it is independent of PGE operations and the functions it would be reviewing; and its findings are reported directly to the PGE Board of Directors Audit Committee.

We note that there is at least one other example in which PGE's Internal Audit performed a required third party review with the agreement of the government agency responsible for ensuring compliance. In the context of reviewing price reporting practices, the Federal Energy Regulatory Commission (FERC) has stated that "[w]hile there are advantages to having an external audit, the [FERC] clarifies that the independent audit may be performed by a company's internal auditor, so long as the internal audit personnel are independent from the trading and reporting departments and personnel, and the audit follows internal auditing standards such as those prescribed by the Institute of Internal Auditors or other similar generally accepted auditing standards." *Price Discovery in Natural Gas and Electric Markets*, 105 FERC ¶ 61,282 at P 14 (2003).

Should the waiver be granted, the Internal Audit group would use the third party (the only bidder) to perform the work that goes into the review, but PGE Internal Audit would have the ultimate responsibility for the review, including scope, field work, any resulting findings, and the final report. Using this approach is consistent with the intent of the third party review, and it

would reduce costs, and likely expedite the process (the timing of which is a concern with the report due to the PUC by October 15, per an earlier waiver that PGE received as to the June 1 deadline).

The PGE Internal Audit department auditor who would be assigned this work has similar credentials, education and experience to the third party bidder reviewer. Department credentials include the following active licenses as of July 18, 2017: Certified Public Accountant, Certified Internal Auditor, Certified Risk Management Auditor, and Certified Information Systems Auditor. Additionally, the auditors to be responsible for this work include an experienced Lead Auditor with over 8 years of experience as well as the Internal Audit Manager with over 22 years of experience. Work performed by the department is conducted in conformance with the Institute of Internal Auditors' International Professional Practices Framework. The Internal Audit department performs an internal quality assurance review annually and undergoes an external quality assurance review every 5 years, in order to ensure conformance with the Institute of Internal Auditors' International Professional Practices Framework.

The Division 38 Code of Conduct governs the interactions and transactions among the electric company (PGE), its Oregon affiliates and its competitive operations. It is designed to protect against market abuses and anti-competitive practices by electric companies in the Oregon retail electricity markets. OAR 860-038-0500. PGE notes that the scope of this required review and reporting is narrow, as PGE does not have any Oregon affiliates (defined as an affiliate engaged in the sale or marketing of electricity services or directly related products in an Oregon retail market), and the scope of its competitive operations are very limited.

On these bases, PGE respectfully requests that the Commission find that good cause exists and grant a waiver of the rule and allow the alternate compliance identified in this waiver request.

Communications

Communications regarding this application should be addressed to:

Karla Wenzel
Manager, Pricing and Tariffs
Portland General Electric Company
121 SW Salmon Street, 1 WTC0306
Portland, OR 97204
Phone: 503.464.8718
Fax: 503.464.7651
E-mail: pge.opuc.filings@pgn.com

Donald Light
Assistant General Counsel
Portland General Electric Company
121 SW Salmon Street, 1WTC1301
Portland, OR 97204
Phone: 503.464.8315
Fax: 503.464.2200
E-mail: Donald.light@pgn.com

DATED this 21st day of July, 2017.

/s/

Donald Light
Assistant General Counsel
Portland General Electric Company
121 SW Salmon St., 1WTC1301
Portland, OR 97204
Telephone: 503.464.8315
Fax: 503.464.2200
E-Mail: Donald.light@pgn.com