



Portland General Electric Company
121 SW Salmon Street • 1WTC0306 • Portland, OR 97204
portlandgeneral.com

April 21, 2023

Via Electronic Filing

Public Utility Commission of Oregon
Attention: Filing Center
P.O. Box 1088
Salem, OR 97308-1088

RE: UE 416 – In the Matter of Portland General Electric Company, Request for a General Rate Revision

Dear Filing Center:

Enclosed for filing today in the above-reference docket is Portland General Electric Company's (PGE) Errata to PGE's Request for a General Rate Revision originally filed on February 15, 2023.

Upon further review, PGE has identified four separate items to be corrected.

- 1) The value included in this GRC filing for both the federal credit amount to reflect the average rate assumption method (ARAM) of amortizing excess deferred federal income taxes (EDIT) and Excess Cost of removal (COR) Reversal included amounts associated with Colstrip, which should be included in PGE's 2024 Schedule 146 Colstrip update filing. As a result, PGE's ARAM credit was overstated by \$1,723,334 and PGE's COR Reversal amount was understated by \$109,711, resulting in a revenue requirement increase of \$2,299,607. This amount has been corrected in PGE Exhibit 200. These corrected pages are attached in both redline and clean formats. PGE Exhibits 201, 205, 207, 208, 210, and PGE Exhibit 200 work papers "Exhibit Support_2024" and "2024 Unbundled ROO" have also been corrected and are attached.
- 2) The unbundling allocator used for account 4561008 (transmission other revenue) was incorrectly assigned to distribution. This account has been correctly assigned to transmission and corrected in PGE Exhibit 200. These corrected pages are attached in both redline and clean formats. PGE Exhibit 210 and PGE Exhibit 200 work paper "2024 Unbundled ROO" have also been corrected and are being submitted separate of this filing

through Huddle. This incorrect assignment does not impact our overall request in this docket.

- 3) Certain values included in PGE Exhibit 500 tables and testimony for both 2022 actuals and 2024 test year amounts were not accurately presented. These amounts have been corrected in PGE Exhibit 500 and do not impact any of the drivers discussed or overall trends cited in testimony. These corrected pages are attached in both redline and clean formats. The value included in PGE Exhibit 501 for 2024 test year incentives was understated by \$56,952. PGE Exhibit 501 has been corrected and is attached. These errors only impacted PGE Exhibit 500 and not PGE's revenue requirement nor our request in this docket.
- 4) In PGE Exhibit 701, the collection amount and balance for 2022 were incorrect. PGE Exhibit 701 has been corrected to reflect the correct collection amount and balance for 2022. This correction does not impact PGE Exhibit 700 nor our request in this docket.

If you have any questions, please feel free to contact me at (503) 464-7488. Please direct all formal correspondence and requests to the following e-mail address:

pge.opuc.filings@pgn.com.

Sincerely,
Jaki Ferchland
Manager, Revenue Requirement

I. Introduction

1 **Q. Please state your names and positions with Portland General Electric Company (PGE).**

2 A. My name is Greg Batzler. My position is Senior Regulatory Consultant, Regulatory Affairs.

3 I am responsible for the development of PGE's revenue requirement forecast and other
4 regulatory analyses.

5 My name is Jaki Ferchland. My position is Manager of Revenue Requirement, Regulatory
6 Affairs.

7 Our qualifications are included at the end of this testimony.

8 **Q. What is the purpose of your testimony?**

9 A. The purpose of our testimony is to present PGE's 2024 test year forecast revenue requirement
10 for the following components:

- 11 • Base business costs¹ of \$2,673~~1.85~~ million; and
- 12 • Wildfire Mitigation (WM) isolated revenue requirement of \$33.0 million.

13 As discussed in PGE Exhibit 700, PGE is isolating all identifiable WM-related costs (both
14 expense and capital) to be included within PGE Schedule 151, consistent with the Stipulation
15 in Docket No. UE 412 (UE 412) between the Public Utility Commission of Oregon
16 (Commission) Staff (Staff), the Alliance of Western Energy Consumers (AWEC), and PGE.

17 While a full settlement was reached between PGE, Staff, and AWEC, the Oregon Citizens'
18 Utility Board (CUB) is not a party to the Stipulation and a Commission order in the docket is
19 expected during the pendency of this proceeding. As such, we provide here a WM revenue
20 requirement, which, after being included within the proposed separate schedule, would reduce
21 our base business request for pricing purposes. Because UE 412 has not yet been decided by

¹ Inclusive of Wildfire Mitigation costs.

1 the Commission, these costs are still effectively part of base rates; the following testimony
2 will discuss PGE's 2024 revenue requirement with WM included unless specifically stated
3 otherwise.

4 **Q. What increase in revenue requirement does PGE request beginning January 1, 2024?**

5 A. PGE requests a base business increase of \$337.8 million or 14.65%, including WM-related
6 costs,² which would become effective January 1, 2024. This increase is relative to the revenues
7 we expect based on the following: 1) 2022 prices approved in Commission Order No. 22-129
8 in Docket No. UE 394 (UE 394); plus 2) the 2023 power costs reflected in PGE Schedule 125,
9 as approved in Commission Order No. 22-427. However, by including 2023 Schedule 146
10 (Colstrip Power Plant Operating Life Adjustment) amounts within current and requested
11 prices, PGE's requested increase of \$337.8 million represents an approximate 14.0% increase
12 in revenues.³

13 The revenue requirement proposed in this filing will allow PGE an opportunity to earn a
14 7.06% rate of return that includes a 9.80% return on average common equity (ROE) in 2024.⁴
15 PGE Exhibit 201, columns 1 through 3, summarizes the development of PGE's 2024 revenue
16 requirement for base business. In addition to presenting this integrated (bundled) revenue
17 requirement, we also present and discuss our unbundled revenue requirement in Section VII.

18 **Q. In the absence of a price increase, what is PGE's expected regulated ROE for 2024?**

19 A. Without a price increase, we would expect PGE's regulated ROE to be approximately
20 2.1924% in 2024, which is significantly lower than the currently authorized ROE of 9.50%.

² Note that 2024 WM costs will be updated within Schedule 151 and be consistent with PGE's 2024 Wildfire Mitigation Plan, which will not be submitted until later in 2023.

³ See PGE Exhibit 1300 for additional detail regarding PGE's overall percentage increase.

⁴ As discussed in PGE Exhibit 1000, PGE proposes a 50/50 capital structure between debt and equity.

1 helped to keep Information Technology (IT) labor costs relatively flat from 2022
2 to 2024.

A. Summary of the Case

3 **Q. Please summarize PGE’s 2024 revenue requirement.**

4 A. Table 1 below summarizes PGE’s 2024 revenue requirement by major category and provides
5 a comparison to the results of UE 394. We also list the PGE testimony that addresses each
6 specific cost category.

Table 1
Revenue Requirement Summary
(\$millions)

Rev Req Category	UE 394 Approved	2024 Forecast	2024 WM	2024 Net of WM*	Exhibit	No.
				\$		
		\$		2,640.938.		
Sales to Consumers	\$ 2,034.0	2,673 1.85	\$ 33.0	6	Rev Req	200
Other Revenue	32.3	39.7		39.7	Rev Req	200
Net Variable Power Costs	543.6	860.1		860.1	Rev Req	200
Production O&M	111.2	134.0		134.0	Production	800
Transmission O&M	19.5	22.4	1.5	20.9	T&D	700
Distribution O&M	145.8	209.8	23.3	186.4	T&D	700
Customer Service	89.7	107.2	0.2	107.0	Customer Svc.	900
A&G	180.9	209.8	0.2	209. 76	Corp. Support	600
Depr. & Amort.	358.1	422.6	2.5	420.1	Rev Req	200
Other Taxes	157.0	192.6	1.5	191.1	Rev Req	200
Income Taxes	90.3	11108.08	0.8	11008.20	Rev Req	200
Operating Income*	\$ 370.1	\$ 444.0	\$ 3.1	\$ 441.0		
Return on Equity	9.5%	9.8%	9.8%	9.8%	ROE	1000

* May not sum due to rounding

7 **Q. Please describe Operating Income as used in Table 1 above.**

8 A. Operating Income consists of a return to the providers of capital to PGE, both equity and debt.
9 The costs of obtaining capital are discussed in PGE Exhibit 1000.

10 **Q. How did you develop the 2024 revenue requirement?**

11 A. We developed the revenue requirement based on PGE’s 2023 budgets, which were originally
12 based on a 2022 budget that reflected our best estimate of PGE’s 2022 general rate case result

V. Income Taxes and Taxes Other Than Income

A. Income Taxes

1 **Q. What is PGE's 2024 estimate of income taxes?**

2 A. PGE's 2024 test year forecast for income tax expense is \$11108.08 million. This compares to
3 the 2022 utility income tax expense of \$90.3 million based on prices approved by Commission
4 Order No. 22-129 in UE 394. PGE Exhibit 205 provides details on the test year calculations
5 of income tax expense plus a comparison to previously authorized 2022 income tax
6 assumptions.

7 **Q. What method did you use to establish estimated income tax expense for the 2024 test**
8 **year?**

9 A. We use the "stand-alone" method to determine the test year income tax expense. This method
10 uses as inputs only those costs and revenues included in our requested test year revenue
11 requirement to determine the income tax expense for the test year. The Commission has
12 traditionally used this approach to determine the income tax expense in test year price
13 development. Further, because PGE's operations are nearly 100% regulated utility activity,
14 this method also conforms to ORS 757.269, which specifies how income taxes are treated for
15 developing prices.

16 **Q. What income taxes does PGE pay?**

17 A. PGE pays income taxes to the federal government, the states of Oregon, Montana, and
18 California, and to local government entities such as the City of Portland and Multnomah
19 County.⁷

⁷ Note that PGE pays an immaterial amount of income tax to other states where we have employees. As the costs are de minimis, we have not forecasted them or included them within our request.

1 (i.e., local income taxes reduce state income taxes and state income taxes reduce federal
2 income taxes), or as calculated in PGE Exhibit 201:

$$3 \quad 21.00\% + 7.562\% - (21.00\% * 7.562\%) = 26.974\%$$

4 **Q. Did you exclude any tax rates from local jurisdictions from the calculation of the**
5 **composite tax rate?**

6 A. Yes. PGE collects Multnomah County Business income taxes (MCBIT) through supplemental
7 Schedule 106 and Metro Supportive Housing Services Tax through supplemental
8 Schedule 103 to comply with OAR 860-022-0045. Consequently, we do not include an
9 estimate of either of these taxes as part of our revenue requirement.

10 **Q. Did you include state and federal tax credits in your estimate of income tax expense for**
11 **2024?**

12 A. Yes. PGE has applied the following items (treated similar to tax credits) in accordance with
13 Commission Order No. 18-464:

- 14 • A \$10,000 state income tax credit, which specifies that PGE “will include a
15 \$10 thousand state tax credit ... to account for the graduated tax rate in Oregon.”⁸
- 16 • A federal credit of approximately ~~\$8.610.3~~ million to reflect the average rate
17 assumption method (ARAM) of amortizing excess deferred federal income taxes
18 (EDIT).⁹

19 **Q. Have any changes occurred since PGE’s last GRC regarding its treatment of EDIT?**

20 A. Yes. Based on a series of private letter rulings from the IRS since the filing of PGE’s last
21 general rate case (UE 394), PGE determined a change to the treatment of EDIT is required to
22 avoid a potential violation of IRS tax normalization requirements. Specifically, this change

⁸ Commission Order No. 18-464, page 5 of Appendix D, item 4.

⁹ Commission Order No. 18-464, page 4 of Appendix D, item 2.f.

1 requires PGE to treat separately the Cost of Removal (COR) component currently included
2 within the EDIT balance. While both the Life and Salvage components of book depreciation
3 are required by the IRS to be reversed over the life of the asset that gave rise to the EDIT, the
4 IRS has ruled that the COR component, which PGE has previously been including within
5 ARAM, should be separated.

6 As such, in order to comply with these recent IRS rulings, PGE must separate the COR
7 EDIT from the Life/Salvage EDIT and reverse them using different methods. Should PGE fail
8 to separate this component we could be found in violation of normalization rules, putting
9 PGE's ability to utilize accelerated depreciation at risk, which would adversely impact
10 customer prices. Thus, PGE has separated the COR reversal component from the Life/Salvage
11 EDIT and is proposing to reverse it over 50 years beginning in 2024. A 50-year life was chosen
12 instead of a shorter average remaining book life to reduce the customer impact related to this
13 item.

14 **Q. How does this impact PGE's estimate of income tax expense for 2024?**

15 A. The separate COR reversal component represents a debit amount (i.e., increase to tax expense)
16 of \$1.~~79~~ million.

17 **Q. Did you include any Production Tax Credits (PTCs) in your estimate of income tax
18 expense for 2022?**

19 A. Not in this filing. Consistent with the provisions of Oregon Senate Bill 1547, Section 18b,
20 Federal PTCs are incorporated into PGE's NVPC. Consequently, PGE's test year PTCs are
21 thus reflected in its Annual Update Tariff (AUT) filing.

1 **Q. Did you include a research and development (R&D) Income Tax Credit?**

2 A. No. Because the R&D tax credit can vary significantly from year to year, we have established
3 a deferral mechanism (Docket No. UM 1991) as specified by Commission Order No. 18-464
4 (see pages 7 and 8).

B. Taxes Other than Income

5 **Q. What is PGE's 2024 estimate of Taxes Other Than Income?**

6 A. As shown in PGE Exhibit 206, total Taxes Other Than Income are \$192.6 million for 2024.
7 This compares to 2022 actual costs of \$158.0 million. The primary cost changes from 2022
8 actuals to the 2024 test year are:

- 9 • Property Taxes: from \$76.2 million to \$90.1 million;
- 10 • Franchise Fees: from \$52.6 million to \$68.65 million;
- 11 • Payroll Taxes: from \$18.0 million to \$21.0 million; and
- 12 • OCAT: from \$8.7 million to \$10.4 million.

1. Property Taxes

13 **Q. Please describe PGE's obligation to pay property taxes.**

14 A. PGE owns property in three states: Oregon, Montana (Colstrip plant and related transmission),
15 and Washington (Tucannon River Wind Farm and Kelso-Beaver (KB) Pipeline for gas used
16 at the Port Westward and Beaver plants). As a result, PGE is obligated to pay property taxes
17 in each of these jurisdictions.

18 **Q. How do these jurisdictions assess property taxes on PGE?**

19 A. Rather than each individual county assessing property tax, Oregon, Montana, and Washington
20 "centrally assess" PGE's property using a unit approach. This unit approach is required by

VI. Rate Base

1 **Q. What is PGE's test year rate base and what does it include?**

2 A. As discussed in Section I, PGE established its rate base balances as of December 31, 2023,
3 and forecasts the total balance to be approximately \$6,290.~~65~~ million. PGE Exhibit 207
4 provides the details of this rate base, which includes PGE's investment in Plant in Service, net
5 of Accumulated Depreciation, and ADIT. In addition, the rate base includes Fuel and
6 Materials Inventory, Miscellaneous Deferred Debits and Credits, and Working Cash.

7 **Q. How does PGE's test year rate base compare to amounts approved in UE 394?**

8 A. PGE Exhibit 208 shows that the rate base approved in UE 394 is \$5,432.0 million and that
9 PGE's December 31, 2023 rate base reflects an increase of \$858.~~65~~ million. The increase is
10 primarily attributable to the growth in distribution plant as discussed in PGE Exhibit 700, the
11 Faraday Repower Project as discussed in PGE Exhibit 800, and major software investments
12 as discussed in PGE Exhibit 600.

13 **Q. What is the Working Cash total added to rate base in this filing?**

14 A. PGE has updated its lead/lag study to determine the Working Cash factor for use in calculating
15 PGE's Working Cash total in rate base. This analysis results in the Working Cash factor
16 increasing from 3.891% in 2022 (UE 394) to 4.222% in 2024. Applying the 4.222% Working
17 Cash factor to total forecasted operating expenses in 2024 of \$2,26~~97.52~~ million produces the
18 Working Cash total in rate base of approximately \$95.~~87~~ million.

19 **Q. Is PGE proposing to include any new amounts within rate base?**

20 A. Yes. PGE is proposing to treat a portion of cloud-based vendor hosted software as a rate base
21 asset (i.e., Miscellaneous Deferred Debits). This software is similar to the on-premise software
22 that PGE routinely capitalizes and includes within software amortization expense, with the

VII. Unbundling

1 **Q. Have you unbundled the 2024 revenue requirement pursuant to OAR 860-038-0200?**

2 A. Yes. PGE Exhibit 210 summarizes the results of unbundling the integrated revenue
 3 requirement, as required by OAR 860-038-0200, into the required functional areas or revenue
 4 requirement categories. Table 4 below summarizes the base unbundled revenue requirement
 5 for 2024.

Table 4
Unbundled Revenue Requirement
(\$millions)

Production	\$ 1,47 20.27
Transmission	106 21.85
Distribution	88 267.24
Ancillary	8.5
Metering	3.4
Billing	47.2
Other Consumer Services	153.6
Total*	\$ 2,6731.85

** May not sum due to rounding*

6 The sum of the unbundled revenue requirement for these services equals the integrated revenue
 7 requirement as presented in PGE Exhibit 201, column 3.

8 **Q. How did you develop the revenue requirement after unbundling costs and rate base?**

9 A. We used traditional revenue requirement methodology – recovery of cost plus a return on rate
 10 base – to calculate the revenue requirement for each unbundled service in accordance with
 11 OAR 860-038-0200(9)(d). This is consistent with PGE’s approach in past rate filings.

12 **Q. How did you unbundle PGE’s 2024 expenses and Other Revenue?**

13 A. We unbundled expenses and Other Revenue by analyzing each account within those
 14 categories. First, we determined which accounts could be directly assigned to one of the
 15 functional categories listed in Table 4 above. Second, we evaluated those accounts that could
 16 not be clearly assigned to determine a basis for allocation.

I. Introduction

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3 2022 utility income tax expense of \$90.3 million based on prices approved by Commission
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5 of income tax expense plus a comparison to previously authorized 2022 income tax
6 assumptions.

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8 **year?**

9 A. We use the "stand-alone" method to determine the test year income tax expense. This method
10 uses as inputs only those costs and revenues included in our requested test year revenue
11 requirement to determine the income tax expense for the test year. The Commission has
12 traditionally used this approach to determine the income tax expense in test year price
13 development. Further, because PGE's operations are nearly 100% regulated utility activity,
14 this method also conforms to ORS 757.269, which specifies how income taxes are treated for
15 developing prices.

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18 California, and to local government entities such as the City of Portland and Multnomah
19 County.⁷

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2 income taxes), or as calculated in PGE Exhibit 201:

$$3 \qquad 21.00\% + 7.562\% - (21.00\% * 7.562\%) = 26.974\%$$

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5 **composite tax rate?**

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7 Schedule 106 and Metro Supportive Housing Services Tax through supplemental
8 Schedule 103 to comply with OAR 860-022-0045. Consequently, we do not include an
9 estimate of either of these taxes as part of our revenue requirement.

10 **Q. Did you include state and federal tax credits in your estimate of income tax expense for**
11 **2024?**

12 A. Yes. PGE has applied the following items (treated similar to tax credits) in accordance with
13 Commission Order No. 18-464:

- 14 • A \$10,000 state income tax credit, which specifies that PGE “will include a
15 \$10 thousand state tax credit ... to account for the graduated tax rate in Oregon.”⁸
- 16 • A federal credit of approximately \$8.6 million to reflect the average rate assumption
17 method (ARAM) of amortizing excess deferred federal income taxes (EDIT).⁹

18 **Q. Have any changes occurred since PGE’s last GRC regarding its treatment of EDIT?**

19 A. Yes. Based on a series of private letter rulings from the IRS since the filing of PGE’s last
20 general rate case (UE 394), PGE determined a change to the treatment of EDIT is required to
21 avoid a potential violation of IRS tax normalization requirements. Specifically, this change
22 requires PGE to treat separately the Cost of Removal (COR) component currently included

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1 within the EDIT balance. While both the Life and Salvage components of book depreciation
2 are required by the IRS to be reversed over the life of the asset that gave rise to the EDIT, the
3 IRS has ruled that the COR component, which PGE has previously been including within
4 ARAM, should be separated.

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8 PGE's ability to utilize accelerated depreciation at risk, which would adversely impact
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10 EDIT and is proposing to reverse it over 50 years beginning in 2024. A 50-year life was chosen
11 instead of a shorter average remaining book life to reduce the customer impact related to this
12 item.

13 **Q. How does this impact PGE's estimate of income tax expense for 2024?**

14 A. The separate COR reversal component represents a debit amount (i.e., increase to tax expense)
15 of \$1.7 million.

16 **Q. Did you include any Production Tax Credits (PTCs) in your estimate of income tax**
17 **expense for 2022?**

18 A. Not in this filing. Consistent with the provisions of Oregon Senate Bill 1547, Section 18b,
19 Federal PTCs are incorporated into PGE's NVPC. Consequently, PGE's test year PTCs are
20 thus reflected in its Annual Update Tariff (AUT) filing.

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3 a deferral mechanism (Docket No. UM 1991) as specified by Commission Order No. 18-464
4 (see pages 7 and 8).

B. Taxes Other than Income

5 **Q. What is PGE's 2024 estimate of Taxes Other Than Income?**

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8 actuals to the 2024 test year are:

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1. Property Taxes

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15 and Washington (Tucannon River Wind Farm and Kelso-Beaver (KB) Pipeline for gas used
16 at the Port Westward and Beaver plants). As a result, PGE is obligated to pay property taxes
17 in each of these jurisdictions.

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19 A. Rather than each individual county assessing property tax, Oregon, Montana, and Washington
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VI. Rate Base

1 **Q. What is PGE's test year rate base and what does it include?**

2 A. As discussed in Section I, PGE established its rate base balances as of December 31, 2023,
3 and forecasts the total balance to be approximately \$6,290.6 million. PGE Exhibit 207
4 provides the details of this rate base, which includes PGE's investment in Plant in Service, net
5 of Accumulated Depreciation, and ADIT. In addition, the rate base includes Fuel and
6 Materials Inventory, Miscellaneous Deferred Debits and Credits, and Working Cash.

7 **Q. How does PGE's test year rate base compare to amounts approved in UE 394?**

8 A. PGE Exhibit 208 shows that the rate base approved in UE 394 is \$5,432.0 million and that
9 PGE's December 31, 2023 rate base reflects an increase of \$858.6 million. The increase is
10 primarily attributable to the growth in distribution plant as discussed in PGE Exhibit 700, the
11 Faraday Repower Project as discussed in PGE Exhibit 800, and major software investments
12 as discussed in PGE Exhibit 600.

13 **Q. What is the Working Cash total added to rate base in this filing?**

14 A. PGE has updated its lead/lag study to determine the Working Cash factor for use in calculating
15 PGE's Working Cash total in rate base. This analysis results in the Working Cash factor
16 increasing from 3.891% in 2022 (UE 394) to 4.222% in 2024. Applying the 4.222% Working
17 Cash factor to total forecasted operating expenses in 2024 of \$2,269.5 million produces the
18 Working Cash total in rate base of approximately \$95.8 million.

19 **Q. Is PGE proposing to include any new amounts within rate base?**

20 A. Yes. PGE is proposing to treat a portion of cloud-based vendor hosted software as a rate base
21 asset (i.e., Miscellaneous Deferred Debits). This software is similar to the on-premise software
22 that PGE routinely capitalizes and includes within software amortization expense, with the

VII. Unbundling

1 **Q. Have you unbundled the 2024 revenue requirement pursuant to OAR 860-038-0200?**

2 A. Yes. PGE Exhibit 210 summarizes the results of unbundling the integrated revenue
3 requirement, as required by OAR 860-038-0200, into the required functional areas or revenue
4 requirement categories. Table 4 below summarizes the base unbundled revenue requirement
5 for 2024.

Table 4
Unbundled Revenue Requirement
(\$millions)

Production	\$ 1,472.2
Transmission	106.8
Distribution	882.2
Ancillary	8.5
Metering	3.4
Billing	47.2
Other Consumer Services	153.6
Total*	\$ 2,673.8

** May not sum due to rounding*

6 The sum of the unbundled revenue requirement for these services equals the integrated revenue
7 requirement as presented in PGE Exhibit 201, column 3.

8 **Q. How did you develop the revenue requirement after unbundling costs and rate base?**

9 A. We used traditional revenue requirement methodology – recovery of cost plus a return on rate
10 base – to calculate the revenue requirement for each unbundled service in accordance with
11 OAR 860-038-0200(9)(d). This is consistent with PGE’s approach in past rate filings.

12 **Q. How did you unbundle PGE’s 2024 expenses and Other Revenue?**

13 A. We unbundled expenses and Other Revenue by analyzing each account within those
14 categories. First, we determined which accounts could be directly assigned to one of the
15 functional categories listed in Table 4 above. Second, we evaluated those accounts that could
16 not be clearly assigned to determine a basis for allocation.

I. Introduction

1 **Q. Please state your names and positions with Portland General Electric Company (PGE).**

2 A. My name is Anne Mersereau. My position is Vice President, Human Resources, Diversity,
3 Equity & Inclusion at PGE. My responsibilities include leading PGE's talent strategy
4 including establishing total compensation policies and employee policies, continuing to
5 strengthen the work culture at PGE including driving inclusion and more diversity, managing
6 employee recruitment, development and retention, managing employee relations, and
7 overseeing worker's compensation, health and welfare benefits and wellbeing programs.

8 My name is Tamara Neitzke. I am the Director of Total Rewards (i.e., Total Compensation
9 and Benefits) in the Human Resources Department at PGE.

10 Our qualifications are provided at the end of this testimony.

11 **Q. What is the purpose of your testimony?**

12 A. Our testimony presents and explains PGE's key talent management challenges. We describe
13 how PGE's compensation philosophy is designed to address compensation challenges, and we
14 present total compensation costs for the 2024 test year. Total compensation costs include total
15 labor costs, incentive pay, and employee benefits.

16 **Q. What are PGE's expected total compensation costs and cost drivers in 2024?**

17 A. PGE forecasts approximately \$560.~~2~~ million in total compensation costs for 2024. Table 1
18 below summarizes the cost and compensation components between 2022 actuals and the 2024
19 test year.

Table 1
Estimated Total Compensation Costs (\$Millions)

Component	2022 Actuals	2024 Test Year	2022-2024 Delta
Total Labor	\$428.1	\$433.0	\$4.9
Incentives	\$42.4	\$20. 43	(\$22. 01)
Benefits	\$93.8	\$106.8	\$13.0
Total Compensation*	\$564.3	\$560.21	(\$4.1)

** Numbers may not sum due to rounding.*

1 The net difference between 2022 actuals and forecast 2024 test year costs is a decrease
2 of approximately \$4.1 million. Looking at the components, total aggregate labor costs increase
3 by \$4.9 million, or 0.6% annually, due to increases from wage escalations and PGE straight-
4 time labor requirements, which is partially offset by a 30.1% average annual decrease in
5 contract labor and a 38.20% average annual decrease to contract labor overtime. Benefits will
6 increase \$13.0 million, or 7% annually, due to increases in health and welfare costs as well as
7 increases in retirement benefits, which is partially offset by a 50.5% average annual decrease
8 in our legacy pension plan costs. We explain the changes in more detail in Section III below.
9 See PGE Exhibit 501 for more detail on PGE's total compensation costs.

10 **Q. How is the remainder of your testimony organized?**

11 A. After this introduction, we have five sections:

- 12 • Section II: PGE's Total Compensation Philosophy and its Challenges;
- 13 • Section III: Total Labor Requirements;
- 14 • Section IV: Incentives;
- 15 • Section V: Benefits; and
- 16 • Section VI: Summary and Qualifications.

Table 3
Total Aggregate Labor Costs by Division (\$000)

	2022 Actuals ⁽³⁾	2024 Test Year ⁽¹⁾
Administrative and General	\$111,824	\$989,939
Customer Accounts	\$21,989	\$25,540
Customer Service	\$18,315	\$20,573
Generation	\$57,00456,999	\$59,217
Transmission & Distribution	\$219,000	\$228,779
Total Wages & Salaries ⁽²⁾	\$428,13228	\$433,048

(1) 2024 amounts are net of PGE's pre-filing adjustments.

(2) Numbers may not sum due to rounding.

(3) Actuals do not include Level 3 storm outage labor.

Table 4
Total Aggregate Labor Costs by Cost Category (\$000)

	2022 Actuals ⁽³⁾	2024 Test Year ⁽¹⁾
Salaried Straight Time	\$193,479\$194,077	\$ 219,628220,274
Union Straight Time	\$ 64,42459,499	\$ 76,74972,179
Hourly Straight Time	\$ 17,60917,561	\$ 21,77721,793
Union Overtime	\$ 24,03124,036	\$ 18,76718,768
Hourly Overtime	\$1,093	\$1,080
Temporary PGE Labor	\$ 2,9962,922	\$ 1,6721,680
Contract Labor	\$ 77,97467,098	\$ 36,92632,767
Paid Time Off (PTO)	\$46,5276	\$56,4489
Total Wages & Salaries ⁽²⁾	\$428,13228	\$433,048

(1) 2022 & 2024 amounts are net of PGE's pre-filing adjustments.

(2) Numbers may not sum due to rounding.

(3) Actuals do not include Level 3 storm outage labor.

1 PGE used a rate of 4.0% to escalate non-union wages and salaries for 2023 and 2024,
2 which falls largely in line with OEA's economic forecast of 5.1% for 2023 and 3.9% for
3 2024¹⁹. For union wages and salaries, PGE also applied a rate of 4.0% for 2023 and 2024,
4 which is built into the most recent BU1 collective bargaining agreement (CBA). We have
5 worked hard to drive efficiencies in our labor force across our business; as shown above, the
6 increase in overall wages and salaries is well below the effects of inflation from the base year
7 to test year. Details of our efforts are discussed in separate testimonies.

¹⁹ OEA December 2022 Economic and Revenue Forecast. Appendix A, Table 4.
<https://www.oregon.gov/das/OEA/Documents/forecast1222.pdf>

1 **Q. Has PGE made any adjustments to its total labor costs for 2024?**

2 A. Yes. To account for vacancies and/or unfilled positions, PGE has included a \$11.78 million
3 O&M reduction to its base budget wages and salaries forecast. This amount is reflected in the
4 above tables.

5 **Q. Please identify the bargaining unit contracts in effect with the International**
6 **Brotherhood of Electrical Workers Local No. 125 (IBEW).²⁰**

7 A. There are two collective bargaining agreements, one for each bargaining unit. The largest
8 bargaining unit, BU1, covers all union employees at work sites other than Coyote, Port
9 Westward, and Carty. A second bargaining unit covers employees at Coyote, Port Westward,
10 and Carty (referred to here as “BU2”).

11 **Q. Does PGE expect there to be any significant changes to these Collective Bargaining**
12 **Agreements in 2023 or 2024?**

13 A. Yes. While BU1 has a CBA in effect until 2025, BU2 is currently negotiating an agreement.
14 As of January 2023, no CBA with BU2 has been reached.

15 **Q. Please briefly describe how total compensation, including wages, is determined for**
16 **IBEW employees.**

17 A. Total compensation, including wages, is the result of arm’s length,²¹ collective bargaining
18 between PGE and the IBEW. Under collective bargaining, wages, other parts of total
19 compensation, and other conditions are negotiated as a whole (i.e., changes to wages and other
20 parts of compensation are considered alongside other contract provisions like work rules and

²⁰ To clarify, PGE does not directly bargain with Local No. 125 for tree trimming labor. PGE secures tree trimming labor via a third-party contractor.

²¹ In an arm’s length negotiation, each party is acting independently and in their own self-interest.

1 compensation package; it assists PGE in attracting and retaining well-qualified and skilled
2 employees and encourages high-level employee performance, engagement, collaboration, and
3 productivity by attaching a portion of our employees' total compensation to both their
4 performance and the overall performance of the company. High-performing employees
5 benefit the company and customers when they are working efficiently and effectively and are
6 engaged in their work. PGE's incentive programs also align employee performance goals with
7 shared customer and company goals that strive to keep costs low, improve customer
8 satisfaction, and maintain PGE's financial stability.

9 **Q. Have any of PGE's incentive programs changed?**

10 A. Yes. PGE previously utilized two main incentive programs: Annual Cash Incentive (ACI), for
11 executives and key non-represented employees, and Performance Incentive Compensation
12 (PIC), for all other incentive-eligible employees including front-line managers.
13 Going forward, PGE has decided to better align PIC-eligible employees and front-line
14 managers with company goals by joining both incentive programs together under the ACI
15 program.²² The primary purpose of this consolidation is to utilize an incentive program that
16 values both individual and company goals, giving all eligible employees the incentive to
17 engage on operational metrics, while still requiring individual performance to benefit from
18 the program.

19 **Q. What percentage of PGE's total compensation are incentives?**

20 A. Incentive pay is approximately ~~9.28.8%~~ of PGE's 2024 total compensation costs.
21 However, because PGE has made a pre-filing adjustment to our incentives request in this case,
22 the amount of incentive pay in our request represents approximately 3.6% of PGE's 2024 total

²² It should be noted that in the provided workpapers PIC and ACI still have separate lines for budgeting purposes.

1 compensation. Our pre-filing adjustment removes 50% of the cost of non-officer ACI,
 2 non-officer stock, and notable incentives, and eliminates 100% of officer ACI and officer
 3 stock incentives, a reduction we make to lower our request in this rate case, while continuing
 4 to maintain that 100% of our incentive costs are prudent utility expenditures in support of safe,
 5 reliable, clean, and affordable energy for our customers. Table 5 below summarizes PGE’s
 6 actual incentive costs for 2022 and our request for 2024. We discuss the three categories of
 7 incentive plans in subsections A and B below.

Table 5
Total Incentives (\$000)

Incentive Plans	2022 Actuals	2024 Test Year⁽¹⁾
Performance Incentive Compensation	\$12,133	\$0
Annual Cash Incentive	\$15,384	\$0
Annual Cash Incentive (combined ACI/PIC)	\$0	\$15,1 8730
Subtotal ACI & PIC	\$27,516	\$15,18730
Stock (long-term incentive plan)	\$14,550	\$4,803
One-time recognition and Miscellaneous	\$323	\$402
Total Incentives⁽²⁾	\$42,389	\$20,39236

(1) Amounts are net of PGE’s pre-filing adjustments.

(2) Numbers may not sum due to rounding.

A. Annual Cash Incentive

8 **Q. What is the Annual Cash Incentive (ACI) plan?**

9 A. PGE’s ACI plan is the cash incentive plan for all incentive eligible employees. The plan
 10 utilizes individual performance metrics, as well as operational and strategic metrics to
 11 determine the payout.

B. Other Incentive Plans

1 **Q. Please describe PGE's long-term stock incentive program.**

2 A. PGE initiated its stock incentive plan in 2006 and it reflects current market practice.
3 Many publicly traded companies (including most utilities) provide long-term incentives to
4 promote performance and retention of directors, officers, and key employees. These awards
5 are earned and paid out in three-year cycles.²⁵ The Public Utility Commission of Oregon
6 (Commission) approved this stock issuance in Docket No. UF 4226 and summarized the goals
7 of the plan:

8 The Plan is part of the Company's overall compensation package and is
9 intended to provide incentives to attract, retain, and motivate officers,
10 directors, and key employees of the Company.²⁶

11 PGE's 2024 forecast for its long-term stock incentive program is \$~~14.9~~16.6 million, but
12 our request is approximately \$4.8 million for the 2024 total long-term incentive expense.
13 Our request reflects the removal of 100% of Officer Long-term Incentive Program costs and
14 a 50% reduction for all other stock incentives.

15 **Q. Does PGE have other programs that reward employees' exceptional performance?**

16 A. Yes. Individual specific one-time recognition awards and other miscellaneous awards are
17 given to employees on a case-by-case basis for exceptional performance beyond the annual
18 incentive programs. These awards are distributed to recognize employees' outstanding work
19 on a specific project or task. PGE's 2024 forecast for one-time recognition awards is
20 approximately \$0.8 million, but our request is approximately \$0.4 million, reflecting a 50%
21 reduction.

²⁵ A portion of the long-term incentive program is now paid out annually in the form of restricted stock units.

²⁶ Commission Order No. 06-356, p.1.

Table 6
Total Benefits (\$000)

Benefits Category	2022 Actuals	2024 Test Year
Health and Wellness	\$ 47,769 50,641	\$54,734
Disability and Life Insurance	\$2,857	\$3,627
Post-Retirement	\$ 39,436 66,565	\$46,321
Miscellaneous Benefits	\$ 2,686 929	\$1,478
Benefits Administration	\$1,01900	\$608
Total Benefits*	\$93,767	\$106,769

* Numbers may not sum due to rounding.

1 **Q. Previously you discussed the expected negotiations of the collective bargaining**
2 **agreement for BU2 union employees. Does PGE expect there to be any material changes**
3 **to benefits in the terms of the BU2 CBA?**

4 A. Yes. Our current expectations are that, as part of the negotiations, employees currently subject
5 to the BU2 CBA will be offered benefits consistent with the benefits currently offered to our
6 main bargaining unit employees.

7 **Q. Does PGE use a benefits benchmark to measure and compare overall benefit costs?**

8 A. Yes. PGE participates in the Willis Towers Watson Energy Services BENCAL Study, a
9 biennial comparison of benefit values (all open health and dental, post-retirement, disability,
10 and life insurance plans) among peer companies with similar revenues. BENCAL provides a
11 complete competitive analysis of the value of a benefits program, including a comparison of
12 a company's benefits plans against those of peer companies. Peer companies are those
13 companies in similar industries with similar revenue sizes. BENCAL gathers all the relevant
14 information related to a company's health care and other benefits plan offerings to accurately
15 benchmark them against other peer companies. BENCAL is one of the leading benefits
16 benchmark studies used by utilities and other large industries to evaluate the cost of their
17 benefits plans.

1 retirement while allowing PGE to reduce its future plan liabilities. In 2022, lump sum
2 payments from the pension plan totaled approximately \$24 million.

3 **Q. Please explain PGE’s forecast cost for miscellaneous employee benefits.**

4 A. Miscellaneous benefits are additional, low-cost tools that PGE uses to attract, retain, and
5 develop well-qualified, skilled employees. We expect to spend approximately ~~\$1.50.89~~
6 million in 2024. Although a small percentage of PGE’s overall benefits costs, these tools help
7 balance employer provided benefits with the changing realities of our demographics and
8 position in the marketplace for employees. Examples of PGE’s miscellaneous benefits include
9 educational assistance, service awards, and a public mass transit benefit, which is consistent
10 with offerings from similarly situated energy and utility companies in the Northwest.

11 **Q. What is PGE’s 2024 cost for benefits administration?**

12 A. PGE forecasts 2024 benefits administration costs to be approximately \$0.6 million, which is
13 approximately \$0.4 million less than 2022 actual costs.

I. Introduction

1 **Q. Please state your names and positions with Portland General Electric Company (PGE).**

2 A. My name is Anne Mersereau. My position is Vice President, Human Resources, Diversity,
3 Equity & Inclusion at PGE. My responsibilities include leading PGE's talent strategy
4 including establishing total compensation policies and employee policies, continuing to
5 strengthen the work culture at PGE including driving inclusion and more diversity, managing
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7 overseeing worker's compensation, health and welfare benefits and wellbeing programs.

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9 and Benefits) in the Human Resources Department at PGE.

10 Our qualifications are provided at the end of this testimony.

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15 labor costs, incentive pay, and employee benefits.

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2 of approximately \$4.1 million. Looking at the components, total aggregate labor costs increase
3 by \$4.9 million, or 0.6% annually, due to increases from wage escalations and PGE straight-
4 time labor requirements, which is partially offset by a 30.1% average annual decrease in
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	2022 Actuals ⁽³⁾	2024 Test Year ⁽¹⁾
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Table 4
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 2 which falls largely in line with OEA's economic forecast of 5.1% for 2023 and 3.9% for
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 4 which is built into the most recent BU1 collective bargaining agreement (CBA). We have
 5 worked hard to drive efficiencies in our labor force across our business; as shown above, the
 6 increase in overall wages and salaries is well below the effects of inflation from the base year
 7 to test year. Details of our efforts are discussed in separate testimonies.

¹⁹ OEA December 2022 Economic and Revenue Forecast. Appendix A, Table 4.
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1 **Q. Has PGE made any adjustments to its total labor costs for 2024?**

2 A. Yes. To account for vacancies and/or unfilled positions, PGE has included a \$11.7 million
3 O&M reduction to its base budget wages and salaries forecast. This amount is reflected in the
4 above tables.

5 **Q. Please identify the bargaining unit contracts in effect with the International**
6 **Brotherhood of Electrical Workers Local No. 125 (IBEW).²⁰**

7 A. There are two collective bargaining agreements, one for each bargaining unit. The largest
8 bargaining unit, BU1, covers all union employees at work sites other than Coyote, Port
9 Westward, and Carty. A second bargaining unit covers employees at Coyote, Port Westward,
10 and Carty (referred to here as “BU2”).

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16 **IBEW employees.**

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19 compensation, and other conditions are negotiated as a whole (i.e., changes to wages and other
20 parts of compensation are considered alongside other contract provisions like work rules and

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1 compensation package; it assists PGE in attracting and retaining well-qualified and skilled
2 employees and encourages high-level employee performance, engagement, collaboration, and
3 productivity by attaching a portion of our employees' total compensation to both their
4 performance and the overall performance of the company. High-performing employees
5 benefit the company and customers when they are working efficiently and effectively and are
6 engaged in their work. PGE's incentive programs also align employee performance goals with
7 shared customer and company goals that strive to keep costs low, improve customer
8 satisfaction, and maintain PGE's financial stability.

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14 managers with company goals by joining both incentive programs together under the ACI
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17 engage on operational metrics, while still requiring individual performance to benefit from
18 the program.

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20 A. Incentive pay is approximately 9.2% of PGE's 2024 total compensation costs.
21 However, because PGE has made a pre-filing adjustment to our incentives request in this case,
22 the amount of incentive pay in our request represents approximately 3.6% of PGE's 2024 total

²² It should be noted that in the provided workpapers PIC and ACI still have separate lines for budgeting purposes.

1 compensation. Our pre-filing adjustment removes 50% of the cost of non-officer ACI,
2 non-officer stock, and notable incentives, and eliminates 100% of officer ACI and officer
3 stock incentives, a reduction we make to lower our request in this rate case, while continuing
4 to maintain that 100% of our incentive costs are prudent utility expenditures in support of safe,
5 reliable, clean, and affordable energy for our customers. Table 5 below summarizes PGE’s
6 actual incentive costs for 2022 and our request for 2024. We discuss the three categories of
7 incentive plans in subsections A and B below.

Table 5
Total Incentives (\$000)

Incentive Plans	2022	2024
	Actuals	Test Year⁽¹⁾
Performance Incentive Compensation	\$12,133	\$0
Annual Cash Incentive	\$15,384	\$0
Annual Cash Incentive (combined ACI/PIC)	\$0	\$15,187
Subtotal ACI & PIC	\$27,516	\$15,187
Stock (long-term incentive plan)	\$14,550	\$4,803
One-time recognition and Miscellaneous	\$323	\$402
Total Incentives⁽²⁾	\$42,389	\$20,392

(1) Amounts are net of PGE’s pre-filing adjustments.

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A. Annual Cash Incentive

8 **Q. What is the Annual Cash Incentive (ACI) plan?**

9 A. PGE’s ACI plan is the cash incentive plan for all incentive eligible employees. The plan
10 utilizes individual performance metrics, as well as operational and strategic metrics to
11 determine the payout.

B. Other Incentive Plans

1 **Q. Please describe PGE’s long-term stock incentive program.**

2 A. PGE initiated its stock incentive plan in 2006 and it reflects current market practice.
3 Many publicly traded companies (including most utilities) provide long-term incentives to
4 promote performance and retention of directors, officers, and key employees. These awards
5 are earned and paid out in three-year cycles.²⁵ The Public Utility Commission of Oregon
6 (Commission) approved this stock issuance in Docket No. UF 4226 and summarized the goals
7 of the plan:

8 The Plan is part of the Company’s overall compensation package and is
9 intended to provide incentives to attract, retain, and motivate officers,
10 directors, and key employees of the Company.²⁶

11 PGE’s 2024 forecast for its long-term stock incentive program is \$16.6 million, but our
12 request is approximately \$4.8 million for the 2024 total long-term incentive expense.
13 Our request reflects the removal of 100% of Officer Long-term Incentive Program costs and
14 a 50% reduction for all other stock incentives.

15 **Q. Does PGE have other programs that reward employees’ exceptional performance?**

16 A. Yes. Individual specific one-time recognition awards and other miscellaneous awards are
17 given to employees on a case-by-case basis for exceptional performance beyond the annual
18 incentive programs. These awards are distributed to recognize employees’ outstanding work
19 on a specific project or task. PGE’s 2024 forecast for one-time recognition awards is
20 approximately \$0.8 million, but our request is approximately \$0.4 million, reflecting a 50%
21 reduction.

²⁵ A portion of the long-term incentive program is now paid out annually in the form of restricted stock units.

²⁶ Commission Order No. 06-356, p.1.

Table 6
Total Benefits (\$000)

Benefits Category	2022 Actuals	2024 Test Year
Health and Wellness	\$47,769	\$54,734
Disability and Life Insurance	\$2,857	\$3,627
Post-Retirement	\$39,436	\$46,321
Miscellaneous Benefits	\$2,686	\$1,478
Benefits Administration	\$1,019	\$608
Total Benefits*	\$93,767	\$106,769

* Numbers may not sum due to rounding.

1 **Q. Previously you discussed the expected negotiations of the collective bargaining**
2 **agreement for BU2 union employees. Does PGE expect there to be any material changes**
3 **to benefits in the terms of the BU2 CBA?**

4 A. Yes. Our current expectations are that, as part of the negotiations, employees currently subject
5 to the BU2 CBA will be offered benefits consistent with the benefits currently offered to our
6 main bargaining unit employees.

7 **Q. Does PGE use a benefits benchmark to measure and compare overall benefit costs?**

8 A. Yes. PGE participates in the Willis Towers Watson Energy Services BENCAL Study, a
9 biennial comparison of benefit values (all open health and dental, post-retirement, disability,
10 and life insurance plans) among peer companies with similar revenues. BENCAL provides a
11 complete competitive analysis of the value of a benefits program, including a comparison of
12 a company's benefits plans against those of peer companies. Peer companies are those
13 companies in similar industries with similar revenue sizes. BENCAL gathers all the relevant
14 information related to a company's health care and other benefits plan offerings to accurately
15 benchmark them against other peer companies. BENCAL is one of the leading benefits
16 benchmark studies used by utilities and other large industries to evaluate the cost of their
17 benefits plans.

1 retirement while allowing PGE to reduce its future plan liabilities. In 2022, lump sum
2 payments from the pension plan totaled approximately \$24 million.

3 **Q. Please explain PGE's forecast cost for miscellaneous employee benefits.**

4 A. Miscellaneous benefits are additional, low-cost tools that PGE uses to attract, retain, and
5 develop well-qualified, skilled employees. We expect to spend approximately \$1.5 million in
6 2024. Although a small percentage of PGE's overall benefits costs, these tools help balance
7 employer provided benefits with the changing realities of our demographics and position in
8 the marketplace for employees. Examples of PGE's miscellaneous benefits include
9 educational assistance, service awards, and a public mass transit benefit, which is consistent
10 with offerings from similarly situated energy and utility companies in the Northwest.

11 **Q. What is PGE's 2024 cost for benefits administration?**

12 A. PGE forecasts 2024 benefits administration costs to be approximately \$0.6 million, which is
13 approximately \$0.4 million less than 2022 actual costs.