



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

September 20, 2019

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 Division 38 Code of Conduct Audit

Portland General Electric Company (PGE) hereby submits pursuant to Oregon Administrative Rule (OAR) 860-038-0640 and Commission Order No. 19-167, PGE's OAR Division 38 Code of Conduct Compliance (OAR 860-038-0500 through 860-038-0620) report that was prepared by PGE's Internal Audit Services (IAS). The submitted report has been redacted for employee names, IAS Overview, Audit Ratings Definitions, and Alignment with PGE's Mission, Vision & Strategy.

Should you have any questions or comments regarding this filing, please contact Mary Widman at (503) 464-8223. 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



Internal Audit Services

Division 38 Code of Conduct Review

Issued: September 13, 2019

As of: August 26, 2019



External Report – For Intended Recipients Only
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Executive Summary

Division 38 Code of Conduct Review

Issued: September 13, 2019

Background – The Code of Conduct rules (OAR 860-038-0500 through 860-038-0640) govern the interactions and transactions among the electric company, its Oregon affiliates, and its competitive operations¹. The Code of Conduct is designed to protect against market abuses and anti-competitive practices by electric companies in the Oregon retail electricity market.

Objectives and Scope – To assess PGE’s compliance with sections of the OAR Chapter 860 Division 38 Code of Conduct Rules (“Division 38 Rules”), limited to the scope as specified below, and to assess whether PGE’s affiliates, as determined by PGE, engaged in the types of activities that would make the affiliates “Oregon affiliates” as defined by OAR 860-038-0005.

Review activities were limited to the period 1/1/2017 through 12/31/2018 and the following specific sections:

- 860-038-0500: Code of Conduct Purpose
- 860-038-0520: Electric Company Name and Logo
- 860-038-0560: Treatment of Competitors
- 860-038-0580: Prevention of Cross-Subsidization Between Competitive Operations and Regulated Operations
- 860-038-0590: Transmission and Distribution Access
- 860-038-0600: Joint Marketing and Referral Arrangements
- 860-038-0620: Access to Books and Records

Results – PGE has satisfactorily met requirements for the in-scope Division 38 rules and no PGE affiliates were determined to engage in activities that would make them “Oregon affiliates” as defined by OAR 860-038-0005. An opportunity was identified to improve the administration and monitoring of Division 38 trainings.

Action Items – Management is implementing action plans to address the recommendation scheduled for completion by January 31, 2021.

¹ See listing of PGE’s Affiliates and Competitive Operations for the review period on page A-2.



Executive Summary, Continued

Summary of Observations by Areas of Scope

<u>Division 38 Rules</u>	<u>Area Rating</u>	<u>Division 38 Rules Description</u>
1 0500 – Code of Conduct Purpose	Needs Improvement	Defines the purpose of Division 38 Rules
2 0520 – Electric Company Name and Logo	Satisfactory	Disclaimer language requirements for competitive operations when using PGE’s brand
3 0560 – Treatment of Competitors	Satisfactory	Protections against anti-competitive behavior between PGE and competitors
4 0580 – Prevention of Cross-subsidization Between Competitive Operations and Regulated Operations	Strong	Protections against anti-competitive behavior between PGE and PGE’s competitive operations
5 0590 – Transmission and Distribution Access	Strong	Protections against anti-competitive behavior between PGE and Electricity Service Suppliers
6 0600 – Joint Marketing and Referral Arrangements	Not Applicable ¹	Protections against anti-competitive behavior between PGE and Oregon affiliates
7 0620 – Access to Books and Records	Strong	Record maintenance requirements for transactions between PGE and competitive operations

¹ Section 0600 pertains to Oregon affiliates. No PGE affiliates were determined to engage in activities that would make them “Oregon affiliates”.





Detailed Audit Report



Background Information

The Public Utility Commission of Oregon (“OPUC”) has enacted Code of Conduct rules found in the OAR 860-038-0500 through 860-038-0640. These rules were put into place to provide important safeguards to:

- Govern the interactions/ transaction between electric companies and affiliates that engage in electricity services, as well as in-house department engaged in competitive operations, and
- Avoid potential market power abuses and cross-subsidization between regulated and unregulated activities.

OAR 860-038-0640 requires that an electric company file a verified report by an independent third-party regarding the electric company’s compliance with Division 38 Rules during odd numbered years for the prior two calendar years. PGE requested a waiver from the OPUC from the requirement that a third-party file the report in 2019 for the 2017-2018 period. The OPUC approved the request for the waiver subject to the following conditions: PGE Internal Audit Services (IAS) would conduct the Code of Conduct review, with PGE submitting a report summarizing findings to the OPUC no later than October 1, 2019, and PGE acknowledges that the completion of the internal review does not grant the expectation of a waiver of the OAR 860-038-0640 requirements for the 2021 reporting period. IAS performed the assessment of PGE’s compliance with Division 38 Rules as an independent function of the organization. The following procedures were performed:

- Obtained and examined existing policies, procedures and documentation related to Division 38 compliance activities
- Conducted interviews of key personnel, identified by management, who were responsible for establishing and maintaining compliance
- Assessed existing processes against knowledge of best practices, and provided guidance for management to consider in addressing opportunities to strengthen compliance activities
- Discussed the activities of PGE affiliates with key personnel, identified by management, who are knowledgeable of the activities the affiliates engage in to determine whether or not the affiliate meets the definition of an “Oregon affiliate”



Detailed Observation and Management Response

Improve Administration and Monitoring of Division 38 Trainings

Observation – On a biennial basis, Rates and Regulatory Affairs works with Legal and management to identify departments whose personnel should take the Division 38 Code of Conduct training modules based on their interaction with PGE’s competitive operations and Oregon affiliates, if any. This list is provided to Talent Development to enroll employees and administer the training.

Overall training completion percentages decreased from a range (across the five training modules) of 98.4% - 99.3% in 2016 to 77.3% - 85.7% in 2018. Employees in key roles were either identified to take the trainings based on their department but were not enrolled, or did not complete the trainings they were enrolled in.

Risk – Personnel unaware of the requirements of the Division 38 rules may expose PGE to risk of non-compliance with the rules resulting in reputational damage and potential regulatory exposure.

Recommendation – Evaluate the process for identifying and ensuring individuals in key roles are enrolled in and complete the Division 38 trainings.

Management Response – Rates and Regulatory Affairs will improve the administration of Division 38 trainings to ensure individuals in key roles complete the trainings. Management will work with Legal and PGE management to identify departments and key individuals to take the trainings in 2020 based on their potential interaction with PGE’s competitive operations and Oregon affiliates, if any. Training completion will be monitored to ensure key personnel complete the training modules.

Timeline – January 31, 2021



Appendix



PGE Affiliates and Competitive Operations Listings

OAR 860-038-0005:

“Competitive operations means any electric company's activities involving the sale or marketing of electricity services or directly related products in an Oregon retail market.”

“Affiliate means a corporation or person who has an affiliated interest, as defined in ORS 757.015, with a public utility.”

“Oregon affiliate means an affiliate engaged in the sale or marketing of electricity services or directly related products in an Oregon retail market.”

Competitive Operations 2017-2018

Schedule 54 – Large Nonresidential Renewable Energy Certificates Rider (“Clean Wind”)

Schedule 320 – Meter Information Services (“Energy Expert”)

Schedule 715 – Electrical Equipment Services (“High Voltage Services”)

PGE Affiliates 2017- 2018

Salmon Springs Hospitality Group

121 SW Salmon Street

PGE Foundation

PGE affiliates do not engage in activities that would make them “Oregon affiliates” as defined by OAR 860-038-0005.

