



Portland General Electric Company

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

August 12, 2021

Via Electronic Filing

Public Utility Commission of Oregon

Attention: Filing Center

P.O. Box 1088

Salem, OR 97308-1088

RE: UE 394 – 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 July 9, 2021.

Upon further review, PGE has identified three separate errors to be corrected.

- 1) The value included in this GRC filing for power operations incentives for 2020 actual amounts was understated by \$441,488.00. This amount has been corrected in PGE Exhibit 300 and 400. These corrected pages are attached in both redline and clean formats. PGE Exhibit 301, 401, the Corp Support Workpaper and the Exhibit Support 2022 workpaper have also been corrected and are attached. This error does not impact our request in this docket.
- 2) In PGE Exhibit 900, on page Jaramillo – Ferchland – Villadsen / 19 at line 13, PGE has a misstatement regarding maturing debt. It should state that the debt maturing is first mortgage bonds, not term loans. A corrected version of page 19 is attached in both redline and clean format. This misstatement does not impact Exhibit 901 or our request in this docket.
- 3) In PGE Exhibit 1000, on page Riter / 7 at line 11, PGE has a misstatement regarding assumptions of COVID-19 impacts. The input assumption stated on this page should be approximately 1/3 (30%), not 33%. The 30% value corresponds with the figure used in the forecast model and does not result in a change to the load forecast 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

CC: Bob Jenks, Citizens' Utility Board of Oregon
Tyler Pepple, AWEC
Gregory Adams, Calpine

Table 1
Estimated Total Compensation Costs (\$Millions)

Component	2020 Actuals	2022 Test Year	2020-2022 Delta
Total Labor	\$362.5	\$351.7	(\$10.8)
Incentives	\$29.6	\$18.6	(\$11.0)
Benefits	\$99.3	\$103.6	\$4.3
Total Compensation*	\$491.4	\$473.9	(\$17.5)

** Numbers may not sum due to rounding.*

The net difference between 2020 actuals and forecast 2022 test year costs is a decrease of \$17.5 million. Looking at the component parts, total aggregate labor costs decrease by \$10.8 million, or 1.5% annually, due to a 40% annual decrease in contract labor and a 16% annual decrease to overtime, which is partially offset by increases from wage escalation and PGE straight-time labor requirements. We further explain the changes in more detail in Section III below.

A primary driver of benefits costs from 2020 to 2022 is an increase in health and wellness costs (\$5.8 million) and post retirement costs (\$3.0 million). The increases to benefits are more than fully offset by the decrease in PGE's total labor costs, as described above, and PGE's incentive request, which represents a reduction of approximately \$11.0 million from 2020 actuals. See PGE Exhibit 301 for more detail on PGE's total compensation costs.

Q. How is the remainder of your testimony organized?

A. After this introduction, we have five sections:

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

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. High performing employees benefit the company and customers when they are
4 working efficiently and effectively and are engaged in their work. PGE's incentive programs
5 also align employee performance goals with shared customer and company goals that strive
6 to keep costs low, improve customer satisfaction, and maintain PGE's financial stability.
7 Additionally, PGE has just recently introduced goals to support its diversity initiatives.

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

9 A. Incentive pay is approximately 9.5% of PGE's 2022 total compensation costs. However,
10 because PGE has made a pre-filing adjustment to our incentives request for this filing, the
11 amount of incentive pay in our request represents approximately 3.9% of PGE's 2022 total
12 compensation. Our pre-filing adjustment removes 100% of all Officer incentives and 50% of
13 the cost of all other incentive plans. Table 4 below summarizes PGE's actual incentive costs
14 for 2020 and our request for 2022. We discuss the four categories of incentive plans in
15 subsections A through C below.

Table 4
Total Incentives (\$000)

Incentive Plans	2020 Actuals	2022 Test Year⁽¹⁾
Performance Incentive Compensation	\$8,567	\$9,842
Annual Cash Incentive	\$9,989	\$5,141
Stock (long-term incentive plan)	\$10,887	\$3,437
One-time recognition and Miscellaneous	\$133	\$146
Total Incentives⁽²⁾	\$29,575	\$18,566

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

(2) Numbers may not sum due to rounding.

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Benefits	\$99.3	\$103.6	\$4.3
Total Compensation*	\$491.40	\$473.9	(\$17.50)

** Numbers may not sum due to rounding.*

The net difference between 2020 actuals and forecast 2022 test year costs is a decrease of \$17.50 million. Looking at the component parts, total aggregate labor costs decrease by \$10.8 million, or 1.5% annually, due to a 40% annual decrease in contract labor and a 16% annual decrease to overtime, which is partially offset by increases from wage escalation and PGE straight-time labor requirements. We further explain the changes in more detail in Section III below.

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I. Introduction

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

2 A. My name is Jim Ajello. I am the Senior Vice President, Chief Financial Officer (CFO), and
3 Treasurer at PGE. My qualifications appear at the end of this testimony.

4 My name is Greg Batzler. I am a Regulatory Consultant in Regulatory Affairs at PGE.

5 My qualifications appear at the end of PGE Exhibit 200.

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

7 A. We explain PGE's request for approximately \$186.9 million in administrative and general
8 (A&G) costs in 2022 and compare it to 2020 actuals of \$193.4 million. We also provide
9 context to show that while a handful of areas are expected to see unavoidable cost increases,
10 these increases are more than fully offset by PGE implementing targeted and ongoing cost
11 cutting measures to help manage our costs and mitigate the economic impact to our customers.

12 **Q. What functions are classified as A&G and what are the costs of those functions?**

13 A. We classify A&G as the back-office functions that support PGE's direct operations to deliver
14 safe, reliable, affordable, cleaner, and more secure energy to customers, such as human
15 resources (HR), accounting and finance, insurance, supply chain, corporate security and
16 business continuity, regulatory affairs, legal services, and information technology (IT). We
17 also include other costs such as employee benefits and incentives, support services, and
18 regulatory fees that fall within the Federal Energy Regulatory Commission's (FERC)
19 definition of A&G.¹ PGE Exhibit 401 provides a list of A&G functions plus a summary of
20 costs for 2018 (actuals) through 2022 (test year forecast). Table 1 below summarizes major
21 A&G costs for 2020 actuals and the 2022 test year by functional area.

¹ FERC defines Administrative and General expenses as those that fall within FERC accounts 920 through 935.

Table 1
A&G Costs by Major Functional Area (\$ millions)

Major Functional Areas	2020 Actuals	2022 Forecast	Delta*
Accounting/Finance	\$ 10.3	\$ 12.1	\$ 1.7
Business Support Services	1.5	1.1	(0.4)
Corp Communications/Public Affairs	3.7	3.1	(0.6)
Corporate Governance	6.8	4.1	(2.7)
Corporate R&D	2.4	2.7	0.3
Environmental Services	2.1	1.8	(0.2)
Facilities/Rent	4.6	6.9	2.3
Governmental Affairs	1.5	1.6	0.0
HR/Employee Support (net of capital allocs.)	10.3	11.2	0.9
Hydro Licensing and Support	0.0	0.0	0.0
Insurance	12.6	17.9	5.4
IT: Direct & Allocated	13.9	16.3	2.5
Legal	7.5	6.9	(0.7)
Performance Management	1.5	1.4	(0.1)
Regulation	2.9	3.4	0.5
Security and Business Continuity	2.4	3.5	1.1
Supply Chain/Contract Services/Purchasing	2.3	1.0	(1.4)
Total for Major Functional Areas*	\$ 86.3	\$ 94.9	\$ 8.6
Benefits (net of capital allocs.)	\$ 52.3	\$ 59.6	\$ 7.2
Corporate Allocations (net)	(4.9)	(1.9)	3.0
Corporate Cost Reductions	0.0	(4.4)	(4.4)
General Plant Maintenance	2.6	2.2	(0.4)
Incentives	29.6	13.7	(15.9)
LC Fees, Revolver Fees, Margin Net Int., & Broker fees	2.1	2.0	(0.1)
Membership Expense	2.5	3.5	1.0
Regulatory Fees	8.3	10.3	2.0
Severance	8.4	0.0	(8.4)
Total Labor Loadings to A&G	0.0	0.0	0.0
Total PTO to A&G	6.3	7.1	0.8
Total Other A&G Costs*	\$ 107.1	\$ 91.9	\$ (15.2)
Total A&G*	\$ 193.4	\$ 186.9	\$ (6.6)

*May not sum due to rounding.

1 rose 5.0 percent for the 12 months ending May; it has been trending up every month since
2 January.” The release continues to state that the index for all items less food and energy has
3 experienced the largest 12-month increase since the period ending June 1992.² In fact, for
4 just the three most recently published months of March 2021 through May 2021, the consumer
5 price index for All Urban Consumers has increased by 2%. So, while this rapid upsurge to
6 inflation could result in future impacts to our 2021 and 2022 budgets as we move through the
7 year, PGE is currently continuing to manage its Operations and Maintenance (O&M) costs to
8 a level well below the average rate of inflation.

9 **Q. What is the overall change to A&G costs from 2020 to 2022.**

10 A. As shown in Table 1 above, total A&G costs are forecast to decrease by approximately \$6.6
11 million from 2020 to 2022.

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

13 A. After this introduction, we have four sections:

- 14 • Section II: Primary A&G Cost Decreases;
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- 16 • Section IV: Information Technology;
- 17 • Section V: Summary; and
- 18 • Section VI: Qualifications.

² May 2021 News Release: <https://www.bls.gov/news.release/pdf/cpi.pdf>

V. Summary

1 **Q. Please summarize your request for A&G in this filing.**

2 A. We request that the Commission approve PGE's forecast of \$186.9 million in A&G costs in
3 the 2022 test year. This represents a \$6.6 million decrease from 2020 actuals, primarily due
4 to PGE implementing budget reductions and targeted savings across several functional areas
5 to mitigate customer price impacts.

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Severance	8.4	0.0	(8.4)
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Total PTO to A&G	6.3	7.1	0.8
Total Other A&G Costs*	\$ 1076.17	\$ 91.9	\$ (154.28)
Total A&G*	\$ 193.40	\$ 186.9	\$ (6.61)

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2 January.” The release continues to state that the index for all items less food and energy has
3 experienced the largest 12-month increase since the period ending June 1992.² In fact, for
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5 to mitigate customer price impacts.

1 **Q. What is the expected term, coupon rate, and issuance cost for the bonds to be issued in**
2 **2021 and 2022?**

3 A. PGE currently expects to issue a 30-year tranche of FMBs in 2021 with a coupon rate of
4 3.90%. This tranche is expected to be funded during the fourth quarter of 2021. PGE currently
5 expects to issue a 30-year tranche of FMBs in 2022 with a coupon rate of 4.22%. This tranche
6 is expected to be funded during the fourth quarter of 2022. We will update our cost of debt
7 as actual terms become available.

8 **Q. How are the estimated coupon rates and issuance costs derived by PGE?**

9 A. The rates are based on an indicative new issuance pricing analysis, which includes a current
10 estimated credit spread provided by a subset of PGE's investment banks and a forecast of
11 treasury rates from *Global Insight*.

12 **Q. Is there any long-term PGE debt maturing in 2021 or 2022?**

13 A. Yes. PGE has \$160 million of FMBs maturing in 2021. There are no scheduled maturities in
14 2022.

15 **Q. Did PGE issue any long-term debt following the energy trading losses?**

16 A. PGE issued two tranches of FMBs for a total for \$230 million following the energy trading
17 losses. The process to issue these FMBs had not started until after PGE's announcement of
18 the trading loss.

19 **Q. How has PGE treated the amounts associated with the energy trading losses in its**
20 **calculation of long-term debt?**

21 A. The \$127 million of debt issued in Q4 of 2020 associated with the energy trading losses, net
22 of taxes, were removed from PGE's cost of long-term debt calculation, as PGE has elected
23 not to include any costs associated with the energy trading losses in this rate case.

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1 in PGE's service area. In the forecast period, specific assumptions must be made to reflect
2 the future conditions of these variables. PGE has accounted for future conditions in two
3 primary ways. First, by extending the indicator variables reflecting stay-home policies into
4 the forecast period. The March 2021 forecast assumes that there will be no stay-home policies
5 implemented in 2022. In 2021, stay home policies are in place through the end of August.
6 The variables used are included in Exhibit 1012.

7 **Q. Are any additional assumptions made regarding the impacts of COVID-19?**

8 A. Yes. While there is significant uncertainty surrounding what a 'new normal' looks like, based
9 on announcements from regional employers, we expect to see a sustained uptick in work from
10 home following the pandemic. In addition to the policy-based assumptions described above,
11 we include an input assumption that approximately 1/3 (or 30%) of the estimated increase in
12 residential usage related to COVID-19 will continue in perpetuity.

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12 residential usage related to COVID-19 will continue in perpetuity.

PGE Exhibit 301 Errata 8-13-21

Total Compensation WP	a-Dec - 2018	a-Dec - 2019	a-Dec - 2020	Dec - 2021	2022 TY Request	Base Year-Test Year Delta	Base Year-Test Year Annual %
BENEFITS							
Benefits Administration							
Subtotal Benefits Administration	481,868	565,810	787,059	764,336	786,168	(890)	(0.1%)
Education Plan							
Subtotal Education Plan	231,249	150,497	120,238	459,996	459,996	339,758	95.6%
Employee Assistance Program							
Subtotal Employee Assistance Program	69,604	55,819	93,890	85,320	85,320	(8,570)	(4.7%)
Employee Wellness Program							
Subtotal Employee Wellness Program	368,404	198,980	91,039	241,701	244,399	153,359	63.8%
Group Life Insurance							
Subtotal Group Life Insurance	1,058,377	1,223,537	1,335,046	1,600,939	1,605,427	270,381	9.7%
Health & Dental Plan							
Active Non-Union Health & Dental	32,474,013	35,528,284	33,199,771	34,871,000	36,397,699	3,197,928	4.7%
Active Union Health & Dental	14,045,590	15,309,101	15,327,621	15,444,400	17,322,046	1,994,425	6.3%
Health & Dental Administration	251,968	333,712	317,097	338,449	347,168	30,071	4.6%
Retiree Non-Union Health & Dental	497,034	589,084	(1,207,452)	64,932	72,180	1,279,632	#NUM!
Retiree Union Health & Dental	1,471	5,046	(17,092)	(847,332)	(822,456)	(805,364)	593.7%
Subtotal Health & Dental Plan	47,270,077	51,765,226	47,619,945	49,871,449	53,316,637	5,696,692	5.8%
Health Reimbursement Account							
Subtotal Health Reimbursement Account	3,204,489	2,383,002	2,024,970	2,323,152	2,332,272	307,302	7.3%
Involuntary Severance Program							
Subtotal Involuntary Severance Program	2,194,466	3,724,058	6,830,872			(6,830,872)	(100.0%)
Long Term Disability Benefits							
Subtotal Long Term Disability Benefits	1,016,575	1,735,049	2,114,003	1,894,926	2,238,534	124,531	2.9%
Misc. Employee Benefits							
Subtotal Misc. Employee Benefits	461,644	974,029	(267,544)	1,185,897	1,171,738	1,439,283	#NUM!
Retirement Savings Plan							
Subtotal Retirement Savings Plan	22,553,807	24,859,928	25,775,664	27,460,473	28,741,980	2,966,316	5.6%
Short Term Disability Insurance							
Subtotal Short Term Disability Insurance	657,288	680,004	651,090	664,400	726,800	75,710	5.7%
Subtotal BENEFITS	79,567,847	88,315,937	87,176,273	86,552,589	91,709,271	4,532,999	2.6%
INCENTIVES							
ACI							
Boardman ACI	61,181	(84,513)					#DIV/0!
Officer ACI	2,635,661	2,620,715	1,070,755	2,753,772		(1,070,755)	(100.0%)
Pelton ACI	2,776	11,509	32,785	35,466	13,722	(19,063)	(35.3%)
PGE General Operations ACI	4,832,026	7,910,305	7,920,620	8,432,784	4,579,818	(3,340,802)	(24.0%)
Wholesale Marketing ACI	1,724,986	1,082,994	964,425	1,157,772	548,388	(416,037)	(24.6%)
Subtotal ACI	9,256,629	11,541,010	9,988,585	12,379,794	5,141,928	(4,846,657)	(28.3%)
Notables & Misc.							
Miscellaneous Awards	3,900	4,465	1,375			(1,375)	(100.0%)
Notable Achievement Awards	813,447	694,222	131,263	291,312	145,656	14,393	5.3%
Subtotal Notables & Misc.	817,347	698,688	132,638	291,312	145,656	13,018	4.8%
PIC							
Biglow Canyon PIC	32,534	55,815	18,370	38,460	15,522	(2,848)	(8.1%)
Carty PIC	738,703	658,511	1,579,229	676,596	399,534	(1,179,695)	(49.7%)
Coyote Springs PIC	588,829	425,872	455,906	374,844	208,380	(247,526)	(32.4%)
Pelton PIC	9,223	(21,818)	19,624	15,033	5,815	(13,808)	(45.6%)
PGE General Operations PIC	10,373,274	8,494,500	5,659,505	16,672,968	8,776,272	3,116,767	24.5%
Port Westward PIC	740,700	1,096,999	831,363	757,656	426,960	(404,403)	(28.3%)
Tucannon River PIC	37,245	47,087	2,804	19,032	9,750	6,946	86.5%
Subtotal PIC	12,520,508	10,756,967	8,566,799	18,554,589	9,842,233	1,275,434	7.2%
Stock Incentive Plan							
Board of Directors Stock Incentives	924,091	1,268,574	1,185,125	1,090,644	632,502	(552,623)	(26.9%)
Officer Stock Incentives	2,722,540	4,364,815	4,441,960	7,507,920		(4,441,960)	(100.0%)
PGE Stock Incentives	1,446,888	3,502,861	5,259,792	4,864,668	2,803,998	(2,455,794)	(27.0%)
Subtotal Stock Incentive Plan	5,093,518	9,136,250	10,886,877	13,463,232	3,436,500	(7,450,377)	(43.8%)
Subtotal INCENTIVES	27,688,003	32,132,914	29,574,899	44,688,927	18,566,317	(11,008,582)	(20.8%)
PENSION							
Pension							
Pension	16,318,822	12,680,871	12,156,159	15,056,487	11,911,207	(244,952)	(1.0%)
Subtotal Pension	16,318,822	12,680,871	12,156,159	15,056,487	11,911,207	(244,952)	(1.0%)
Subtotal PENSION	16,318,822	12,680,871	12,156,159	15,056,487	11,911,207	(244,952)	(1.0%)
Total Aggregate Labor							
O&M Labor	240,381,397	231,021,205	215,114,927	215,036,439	228,996,658	13,881,731	3.2%
Capital Labor	117,646,906	144,237,841	147,391,042	123,665,959	122,695,827	(24,695,215)	(8.8%)
Subtotal Aggregate Labor	358,028,303	375,259,046	362,505,969	338,702,398	351,692,484	(10,813,484)	(1.5%)
Total	481,602,975	508,388,769	491,413,300	485,000,400	473,879,280	(17,534,020)	(1.8%)

A&G Summary		Costs					
Category	2018 Actuals	2019 Actuals	2020 Actuals	2021 Budget	2022 Forecast	2020 to 2022	
						\$ Delta	Annual %
Major Functional Areas							
Accounting/Finance	10.3	10.3	10.3	11.7	12.1	1.7	8.0%
Business Support Services	0.8	1.8	1.5	1.1	1.1	-0.4	-13.2%
Corp Communications/Public Affairs	3.1	3.4	3.7	3.3	3.1	-0.6	-8.1%
Corporate Governance	5.7	6.0	6.8	4.0	4.1	-2.7	-22.6%
Corporate R&D	2.0	2.5	2.4	2.6	2.7	0.3	5.7%
Environmental Services	2.6	2.5	2.1	1.8	1.8	-0.2	-5.8%
Facilities/Rent	7.4	5.9	4.6	7.7	6.9	2.3	22.3%
Governmental Affairs	1.5	1.5	1.5	1.5	1.6	0.0	0.8%
HR/Employee Support (net of capital allo	13.9	12.1	10.3	11.0	11.2	0.9	4.3%
Hydro Licensing and Support	0.1	0.0	0.0	0.0	0.0	0.0	449.0%
INSURANCE	12.3	13.6	12.6	15.1	17.9	5.4	19.5%
IT: Direct & Allocated	13.6	15.5	13.9	15.7	16.3	2.5	8.5%
Legal	7.3	9.2	7.5	6.6	6.9	-0.7	-4.7%
Performance Management	2.2	1.8	1.5	1.3	1.4	-0.1	-4.8%
Regulation	3.1	2.7	2.9	3.3	3.4	0.5	9.1%
Business Continuity (BCEM)	1.1	1.0	0.8	1.3	1.6	0.8	39.0%
Security	1.6	1.8	1.5	1.6	1.9	0.3	10.5%
Supply Chain/Contract Services/Purchas	2.1	2.2	2.3	0.9	1.0	-1.4	-35.4%
Subtotal	90.9	93.8	86.3	90.6	94.9	8.6	4.9%
Other A&G Costs							
Benefits (net of capital allocs.)	57.6	56.1	52.3	58.0	59.6	7.2	6.7%
Corporate Allocations (net)	-21.6	-7.3	-4.9	-0.9	-1.9	3.0	-37.7%
Corporate Cost Reductions	0.0	0.0	0.0	-4.4	-4.4	-4.4	
General Plant Maint.	2.9	3.1	2.6	1.6	2.2	-0.4	-8.4%
Incentives	27.7	32.1	29.6	39.9	13.7	-15.9	-32.0%
LC Fees, Revolver Fees, Margin Net Int.	1.4	2.0	2.1	2.3	2.0	-0.1	-1.8%
Membership Costs	3.4	3.7	2.5	3.4	3.5	1.0	18.7%
Regulatory Fees	8.1	8.1	8.3	8.3	10.3	2.0	11.5%
Severance	3.5	6.1	8.4	0.0	0.0	-8.4	-100.0%
Total Labor Loadings to A&G	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Total PTO to A&G	6.3	6.7	6.3	6.8	7.1	0.8	5.9%
Subtotal	89.3	110.6	107.1	115.0	91.9	-15.2	-7.4%
TOTAL A&G	180.1	204.4	193.4	205.6	186.9	-6.6	-1.7%