



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

April 3, 2024

Via Electronic Filing

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

RE: UE 435 – 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 29, 2024.

Upon further review, PGE has identified the following item to be corrected.

- 1) PGE Exhibit 300, Table 8 provided an incorrect split of labor between Union Straight Time and Union Overtime and Salaried Straight Time and Contract Labor. This table has been corrected, along with the supporting work paper. The corrected page is attached in both redline and clean formats. The Total Labor amount remains unchanged.

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,

A handwritten signature in cursive script that reads 'Jaki Ferchland'.

Jaki Ferchland
Senior Manager, Revenue Requirement

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I. Introduction

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

2 A. My name is Joe Trpik. My Position is Senior Vice President, Chief Financial Officer.

3 My qualifications appear at the end of this testimony.

4 My name is Anne Mersereau. My position is Vice President, Human Resources,
5 Diversity, Equity & Inclusion at PGE. My qualifications appear at the end of this testimony.

6 My name is Greg Batzler. I am a Senior Regulatory Consultant in Regulatory Affairs at
7 PGE. My qualifications appear at the end of PGE Exhibit 200.

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

9 A. We explain PGE's request for approximately \$221.7 million in administrative and general
10 (A&G) costs in 2025, a decrease of \$13.8 million compared to the 2024 budget of
11 \$235.5 million.¹ Additionally, we present PGE's 2025 Total Compensation forecast of
12 \$597.3 million, including total labor costs, incentives, and benefits, an increase of
13 \$7.5 million, or 1.3%, compared to 2024 budgeted amounts of \$589.7 million.

14 **Q. Why are you comparing PGE's 2025 test year forecast to the 2024 budget, rather than**
15 **2023 actuals?**

16 A. We do this because the 2024 budget approximates the final Docket No. UE 416 (UE 416)
17 costs that are currently in PGE's retail rates, as approved by Commission Order No. 23-386.
18 As 2025 is only one year beyond the UE 416 test year of 2024, it is the most accurate
19 comparable basis from which to discuss changes expected in 2025 is PGE's 2024 budget.
20 However, for comparison purposes, the tables below also present 2023 actuals in addition to
21 2024 budget and 2025 forecast amounts.

¹ Unless specifically indicated as capital costs, all A&G costs in this testimony refer to O&M costs.

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

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

3 • Section II – Overview and Summary

4 • Section III – Corporate Support

5 • Section IV – Total Compensation

6 • Section V – Qualifications

II. Overview and Summary

1 **Q. Please summarize your request for this filing.**

2 A. We request that the Commission approve PGE’s forecast of \$221.7 million of A&G costs in
3 the 2025 test year, which represents a \$13.8 million decrease from 2024 budget. We request
4 that the Commission approve PGE’s IT related capital additions of \$68.8 million as well as
5 our IT O&M forecast of \$83.0 million. Finally, we request that the Commission approve
6 PGE’s forecast of \$597.3 million of total compensation costs in the 2025 test year.

7 **Q. How would approval of PGE’s request benefit customers?**

8 A. The values above include amounts for continued insurance coverage, which benefits
9 customers as it helps to protect customers against increased risks, premium volatility, and
10 higher costs associated with being underinsured. IT investments better equip our workforce
11 to serve our customers efficiently and effectively. Through IT upgrades, customers benefit
12 from programs that protect against cyberattacks as well as software that helps prevent
13 damages to the underground wires serving customers. Competent and skilled employees are
14 needed to successfully execute customer programs, keep costs low, and support the delivery
15 of safe, reliable power. Competitive compensation attracts and helps retain those strong
16 employees.

III. Corporate Support

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

2 A. We classify A&G as the back-office functions that support PGE’s direct operations that
3 deliver safe, reliable, clean, and affordable energy to customers. This includes human
4 resources (HR), accounting and finance, insurance, supply chain, corporate security and
5 business continuity, regulatory affairs, legal services, and information technology (IT).
6 We also include other costs such as employee benefits and incentives, support services, and
7 regulatory fees that fall within the Federal Energy Regulatory Commission’s (FERC)
8 definition of A&G.² PGE Exhibit 301 provides a list of A&G functions plus a summary of
9 costs for 2021 (actuals) through 2025 (test year forecast). Table 1 below summarizes major
10 A&G costs for 2024 budget and the 2025 test year by functional area.

² 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	2023 Actuals	2024 Budget	2025 Forecast	2024-2025 Delta*
Accounting/Finance	\$ 14.4	\$ 13.8	\$ 14.8	\$ 1.0
Business Support Services	1.7	1.3	1.6	0.3
Corp Communications/Public Affairs	3.2	4.6	5.0	0.4
Corporate Governance	8.4	6.6	6.8	0.2
Corporate R&D	2.6	2.7	3.5	0.8
Environmental Services	1.6	2.5	2.5	0.0
Facilities/Rent	4.1	4.9	5.0	0.1
Governmental Affairs	1.7	2.0	2.2	0.2
HR/Employee Support (net of capital allocs.)	11.3	12.3	13.1	0.8
Hydro Licensing and Support	0.0	0.02	0.02	0.0
Insurance	18.8	19.9	21.9	2.0
IT: Direct & Allocated ³	16.3	15.4	18.2	2.8
Legal	6.7	9.1	9.7	0.6
Performance Management	0.1	0.3	0.3	0.0
Regulation	3.4	4.2	3.8	(0.4)
Physical Security and Business Continuity	4.1	5.2	5.3	0.1
Supply Chain/Contract Services/Purchasing	3.7	3.3	3.5	0.2
Sustainability and Resource Planning	1.1	2.3	1.8	(0.5)
Total for Major Functional Areas*	\$ 103.3	\$ 110.4	\$ 119.1	\$ 8.7
Benefits (net of capital allocs.)	42.8	53.1	57.9	4.8
Corporate Allocations (net)	(4.7)	(7.8)	(8.8)	(1.0)
Corporate Cost Reductions	0.0	(3.7)	(3.4)	0.3
General Plant Maintenance	4.6	4.6	4.2	(0.4)
Incentives	44.8	48.5	17.9	(30.6)
LC Fees, Revolver Fees, Margin Net Int., & Broker Fees	4.2	3.6	3.5	(0.1)
Membership Expense	2.8	3.3	3.5	0.2
Regulatory Fees	12.8	14.9	16.6	1.7
Severance	1.3	0.0	0.0	0.0
Total Labor Loadings to A&G	0.0	0.0	2.4	2.4
Total PTO to A&G	7.9	8.4	8.8	0.3
Total Other A&G Costs*	\$ 116.4	\$ 125.0	\$ 102.6	\$ (24.4)
Total A&G*	\$ 219.7	\$ 235.5	\$ 221.7	\$ (13.8)

*May not sum due to rounding

1 **Q. How would you characterize the forecasted change in A&G costs from 2024 to 2025?**

2 A. Total A&G costs decrease overall when comparing 2024 budget to the 2025 forecast.

3 Within the 2025 forecast, cost increases are within three primary areas: insurance, benefits,

4 and IT. Insurance costs continue to be subject to the same trends that we identified in PGE's

5 2024 general rate case (UE 416) and are described in detail in Section III (A). Benefits, as

³ "IT: Direct & Allocated" as referenced in Table 1 only applies to amounts for A&G, for information on the entirety of IT see Section III of this testimony.

1 discussed in Section IV of this testimony, are largely driven by medical, dental, and retirement
2 costs. While we actively manage costs associated with insurance and benefits, they are
3 primarily external to PGE and increase in costs reflect larger market conditions and/or
4 regulatory requirements beyond our control. We also forecast a modest increase in IT as these
5 systems continue to be integral to all aspects of PGE's operations. IT costs are described in
6 Section III (B).

7 **Q. Has PGE included any adjustments for meals and entertainment in its 2025 O&M**
8 **forecast?**

9 A. Yes. We reduced our meals and entertainment (M&E) 2025 forecast by \$275 thousand, which
10 is approximately 50% of the M&E costs incurred within A&G during 2023.

A. Insurance

11 **Q. What types of insurance coverage does PGE maintain?**

12 A. In general, the insurance coverage maintained by PGE falls into two broad programs: Property
13 and Casualty. PGE maintains a prudent portfolio of insurance coverage consistent with
14 industry peers, which we list and describe in PGE Exhibit 302 and Confidential PGE
15 Exhibit 303. In addition to using insurance to manage risk, PGE also continues to evaluate
16 other alternatives as a means of reducing its overall cost of risk. We discuss PGE's insurance
17 coverage, as well as retained losses, below.

18 **Q. What is PGE's forecast for insurance premiums for 2025?**

19 A. As shown in Table 2 below, we expect total Property and Casualty premiums to be
20 approximately \$32.6 million. This compares to 2024 budgeted premiums of \$27.7 million, an
21 increase of 17.4%.

Table 2
Insurance Premiums (\$ millions)

Type of Loss	2023 Actuals**	2024 Budget**	2025 Forecast**	2024-2025 % Increase
Property	\$11.2	\$6.2	\$6.8	9.4%
Casualty	\$11.1	\$21.6	\$25.8***	19.7%
Totals*	\$22.2	\$27.7	\$32.6	17.4%

**May not sum due to rounding.*

***Premium amounts do not include membership credits*

****Premium amounts exclude 50% of D&O premium*

1 **Q. What is reflected in PGE’s 2025 revenue requirement for insurance premiums?**

2 A. Amounts included within PGE’s revenue requirement and provided as part of Table 1 are
3 consistent with how PGE records insurance costs under Generally Accepted Accounting
4 Principles, using the accrual basis of accounting. That is, insurance costs are recorded
5 consistent with the period of coverage. By contrast, the costs in Table 2 and amounts discussed
6 within this section are presented by insurance policy years (i.e., the year in which the policy
7 premium is payable).

1. Property

8 **Q. What types of coverage are included in PGE’s Property insurance program?**

- 9 A. The lines of coverage in PGE’s Property insurance program are as follows:
- 10 • All-Risk Property (all PGE assets excluding transmission and distribution)
 - 11 • Fidelity & Crime; and
 - 12 • Sabotage & Terrorism.

13 **Q. What changes do you expect in Property insurance premiums?**

14 A. Calendar year 2023 was the sixth year since 2017 that the global Property insurance market
15 saw losses from natural catastrophes in excess of \$100 billion.⁴ As a result of these challenges,

⁴ See Freedman, Andrew, “Global insured disaster losses in 2023 to top \$100B,” AXIOS (October 19, 2023), available at <https://www.axios.com/2023/10/19/extreme-weather-insurance-costs>.

1 insurance underwriters continue to seek double-digit rate increases while pushing for higher
2 deductibles and/or reducing available limits.

3 As a result of these market conditions, PGE restructured its Property insurance program
4 beginning in 2024. Overall, from 2023 to the 2025 forecast, PGE is experiencing a 39.8%
5 reduction in Property insurance premiums. This is the result of a significant decrease from
6 restructuring the program in 2024, offset by a smaller increase of 9.7% from 2024 to 2025.

7 **Q. Please provide more detail on the restructuring of PGE’s Property insurance program.**

8 A. Like most investor-owned utilities’ Property insurance, PGE’s prior Property insurance
9 program was comprised of more than ten insurers (United States and London) that subscribed
10 on a quota share basis. The new program, effective January 1, 2024, is led by Everen Limited
11 out of Bermuda and provides a single large block of capacity for all of PGE’s assets (excluding
12 transmission and distribution). Because Everen is a post-loss funding mutual insurance
13 company, it offers insurance to its members “at cost” (premiums are derived from claims costs
14 and expenses only), and loss funding (premiums) are spread over a rolling 5-year period to
15 reduce premium volatility and make premiums more predictable over time. Everen’s
16 membership is comprised of 68 current members who make up some of the largest energy
17 companies around the world. While Everen was established in 1972, it was not until the early
18 2000s that membership was opened to electric utilities (of the 64 Everen members, six are
19 U.S. electric utilities).

2. Casualty

20 **Q. What types of coverage are included in PGE’s Casualty insurance program?**

- 21 A. The lines of coverage in PGE’s Casualty insurance program are as follows:
- 22
 - General & Auto Liability

- 1 • Directors and officers (D&O) Liability
- 2 • Fiduciary Liability
- 3 • Workers' Compensation
- 4 • Nuclear Liability
- 5 • Cyber Liability
- 6 • Aviation Hull & Liability (Including Unmanned Aircraft Systems)
- 7 • Sabotage & Terrorism
- 8 • Surety Bonds

9 PGE Exhibit 302 describes each policy's purpose in more detail.

10 **Q. What changes do you expect in Casualty insurance premiums?**

11 A. PGE expects a premium increase of 22.0% in its General & Auto Liability insurance program.

12 The adverse impacts of wildfire losses over the last decade continue to be a primary driver of
13 this premium increase. Additionally, the 2020 Labor Day fires in the Pacific Northwest
14 specifically, along with subsequent fires across the country from 2020 through 2023⁵ in
15 general, have continued to shed light on the catastrophic exposure faced by utilities in the
16 region. Other exposures that increase underwriting scrutiny and adversely impact utility
17 insurance pricing in the U.S. and Bermuda markets continue to be the perceived risk of large
18 auto fleets, gas pipeline infrastructure, use of drones, hydro facilities, and their safety
19 protocols, and high-dollar verdicts involving liability claims greater than \$10.0 million.

20 Workers' Compensation insurance is expected to see continued rate increases above 10%
21 primarily due to industry-wide losses combined with a general rise in medical costs, inflation,

⁵ Beachie Creek, Archie Creek, Holiday Farm, and Slater fires in 2020, Bootleg fire in 2021, Cedar Creek fire in 2022, Smith River Complex and Camp Creek fires in 2023.

1 wage growth, an aging workforce, along with the ongoing transition back to more of an
2 in-person work environment – all of which put pressure on Workers’ Compensation rate
3 adequacy in 2025. Cyber Liability underwriters continue pushing double-digit rate increases,
4 especially in the energy and utility sector due to the high cyber-attack target value of these
5 industries, impacting multiple companies at once. Casualty losses would produce upward
6 pressure on rates beyond the current forecast. Overall, we anticipate a 19.7% increase on
7 premiums over 2024 budget levels without taking into account any unknown increases in
8 premiums we may face due to the ongoing consequences of recent natural disasters discussed
9 above.

10 **Q. Has PGE included 100% of D&O insurance coverage in the 2025 test year?**

11 A. No. We have excluded 50% of D&O insurance coverage costs to reduce the size of our request
12 for the benefit of our customers and consistent with prior settlement terms, though we have
13 previously recovered 100% of these expenses.

3. Retained Losses

14 **Q. What are retained losses?**

15 A. Retained losses are the portion of any claim falling within PGE’s self-insured retentions for
16 its Auto Liability, General Liability, and Workers’ Compensation claims that are frequent and
17 predictable. Simply put, retained losses are the amounts borne by PGE before any insurance
18 recovery.

19 **Q. What is PGE’s forecast of expenditures for retained losses from 2024 to 2025?**

20 A. As shown in Table 3, PGE expects annual retained losses for Workers’ Compensation and
21 Auto and General Liability claims to remain flat from 2024 to 2025. In 2024 and 2025, PGE’s
22 annual expenditures are budgeted and forecasted at the expected level, based on the actuarial

1 projections, and anticipated claims. PGE budgets for Auto and General Liability retained
2 losses based on actuarial projections. Workers’ Compensation retained losses are budgeted by
3 reviewing PGE’s prior year’s claim experience and adjusting as needed for new and
4 anticipated claims costs.

Table 3
Retained Losses (\$ millions)

Type of Loss	2023 Actuals	2024 Budget	2025 Forecast	2024-2025 % Increase
Auto & General Liability	\$1.7	\$2.5	\$2.5	0.0%
Workers’ Compensation	\$1.4	\$1.9	\$1.9	0.0%
Totals*	\$3.0	\$4.4	\$4.4	2.3%

**May not sum due to rounding*

B. Information Technology

1. IT Capital Projects

1 **Q. Please summarize the major IT capital additions since PGE’s last general rate case.⁶**

2 A. PGE is implementing new IT systems and programs to replace aging IT infrastructure as our
3 business continues to grow and increasingly utilizes digital solutions to support the delivery
4 of safe, reliable, clean, and affordable energy. In support of this effort, PGE’s major IT
5 projects that will close to plant by December 31, 2024, total approximately \$58.4 million.
6 Table 4 below highlights the six major IT project investments included in this case.

Table 4
Major IT Capital Additions (\$millions)

Project	Additions
IT Software Blanket	\$18.3
Tech Refresh	\$15.0
Zero Trust	\$5.7
Network Fitness	\$5.5
CTO Desktop Fitness	\$5.4
Server Storage Fitness	\$4.3
Energy Management Systems (EMS) Upgrade	\$4.3
Sub-Total of Major IT Capital Additions	\$58.5
Other IT Capital Additions	\$10.3
Total IT Capital Additions	\$68.8

7 **Q. Please elaborate on what is included in the \$58.5 million of major IT investments listed**
8 **above.**

9 A. Major IT investments include:

- 10 • \$18.3 million related to a blanket fund for IT Software, to be used for the purchase
11 and replacement of various software programs used to support PGE’s utility
12 business.

⁶ *In the Matter of Portland General Electric Company, Request for General Rate Revision, Docket UE 416 set rate base amounts as of December 31, 2023.*

- 1 • \$15.0 million related to the Tech Refresh project, which will modernize and recharge
2 our workforce by replacing Asset and Resource Management (ARM) with options
3 that leverage updated technology and functionality tools to better support PGE’s field
4 and scheduling work, provide mobile friendly opportunities, and better equip our
5 workforce to serve our customers efficiently and effectively.
- 6 • \$5.7 million related to our Zero Trust program, an enterprise-wide IT initiative that
7 will provide higher levels of network segmentation to provide better visibility,
8 authentication, and control of network access for the purpose of keeping PGE’s
9 systems safe from cyberattacks.
- 10 • \$5.5 million related to network fitness, to fund the review, replacement, and
11 decommissioning of network infrastructure that has reached the end of its useful life
12 including routers, switches, wireless accessories, firewalls, and supporting
13 infrastructure.
- 14 • \$5.4 million related to desktop fitness, to fund replacement of desktop computers,
15 laptop computers, and other end-user devices that have reached the end of their useful
16 life or otherwise need to be replaced.
- 17 • \$4.3 million related to server storage fitness, used to replace on-premise computer
18 server infrastructure that has reached the end of its useful life.
- 19 • \$4.3 million related to an EMS Upgrade, which will keep our Energy Management
20 System current and capable of supporting engineering studies critical to PGE’s
21 compliance with FERC Order No. 881.

2. IT O&M

1 **Q. Please summarize the activities PGE categorizes as IT.**

2 A. IT consists of the departments responsible for developing, operating, and maintaining our
3 computer, cyber, information, and communication systems. These systems continue to be
4 increasingly important to all aspects of PGE's operations, with increasing scope, reliance, and
5 use. As PGE modernizes systems and processes, like all providers of critical infrastructure,
6 we are also continuing to be increasingly reliant on evolving technology. This increases our
7 need for more resilient, secure, and reliable systems with which to conduct operations and
8 provide customer service.

9 As PGE continues to improve the functionality of our systems and customer-focused
10 products and services (in response to customer needs and expectations), our systems are
11 experiencing incremental and continuous evolution. These systems are now more connected
12 and integrated, requiring incremental resources to provide matching cyber capabilities with
13 safer security platforms.

14 **Q. By how much do you forecast IT O&M costs to increase?**

15 A. We forecast IT O&M costs to increase by approximately \$9.4 million, from \$73.7 million in
16 2024 to \$83.0 million in 2025, as shown in Table 5 below. Because these costs relate to all
17 areas of PGE's operations, they are directly charged or allocated to appropriate operating areas
18 and appear as part of each area's O&M costs. Consequently, we discuss IT as a whole in this
19 section of the testimony rather than just the portion charged to A&G.

Table 5
Total IT O&M Costs (\$ millions)

<u>Category</u>	<u>2023</u> <u>Actuals</u>	<u>2024</u> <u>Budget</u>	<u>2025</u> <u>Forecast</u>	<u>2024-2025</u> <u>Delta</u>
Direct Charges to Operating Areas	\$29.6	\$23.0	\$27.3	\$4.4
Allocated Charges to Operating Areas	\$44.6	\$50.7	\$55.7	\$5.0
Total IT*	\$74.2	\$73.7	\$83.0	\$9.4

1 **Q. Please elaborate on direct charging and allocating IT expenses.**

2 A. As shown in Table 5 above, PGE’s IT costs fall into two categories: directly charged and
3 allocated. Directly charged costs relate to systems that are specific to a given operating area,
4 such as transmission, distribution, or customer service. Consequently, these costs are charged
5 directly to specific O&M accounts related to those operating areas. Other IT work in the areas
6 of voice, data, network, communications, business recovery, the data center, and office
7 systems, does not benefit any specific operating area alone; instead, these costs apply broadly
8 to all PGE activities and departments. These costs are first charged to a balance sheet account
9 (Account No. 1840004 – IT Service Provider) and then allocated to expense accounts for the
10 various operating areas. PGE Exhibit 305 provides a summary of the direct and allocated
11 charges by operating area.

12 **Q. What are the major drivers of the forecasted IT O&M cost increase from 2024 to 2025?**

13 A. Major drivers of the variance between 2024 budget and the 2025 forecast of IT O&M include:

- 14 • IT software and hardware support – we forecast an additional \$4.7 million from the
15 2024 budget to fund positions supporting IT software and hardware. Specifically, the
16 increased labor will provide Day 2 support (i.e., on-going systems maintenance) of
17 capital projects included within PGE’s Tech Roadmap.
- 18 • Application support - including support for Enterprise Resource Planning (ERP),
19 IQGeo, Maximo, and mobile support – we forecast an approximate \$1.4 million

- 1 increase in 2025 to support investment in various applications.
- 2 • Escalations – we forecast an additional \$1.2 million increase due to escalations in
- 3 2025. For more information about escalation rates see Exhibit 200.

IV. Total Compensation

1 **Q. Please summarize your total compensation costs in 2025.**

2 A. As shown below in Table 6, we forecast total compensation costs to increase from the 2024
3 budget to 2025 forecast by \$7.5 million, driven by increases in benefits expenses and labor
4 escalation rates.

Table 6
Total Compensation Costs By Type (\$ Millions)

Component	2023 Actuals	2024 Budget	2025 Test Year	2024-2025 Delta
Total Labor	\$432.6	\$441.2	\$470.4	\$29.1
Incentives	\$44.8	\$48.5	\$17.9	\$(30.6)
Benefits	\$88.0	\$99.9	\$108.9	\$9.0
Total Compensation*	\$565.4	\$589.7	\$597.3	\$7.5

* Numbers may not sum due to rounding

A. Total Compensation Philosophy

5 **Q. Please briefly describe PGE's total compensation goals.**

6 A. PGE's goal is to provide a total compensation package sufficient to attract, develop, and retain
7 a diverse group of employees with strong qualifications and skills.

8 **Q. How does PGE control costs while striving to achieve this goal?**

9 A. To keep prices affordable for customers, PGE actively controls costs by targeting market
10 median conditions for our total compensation program.

11 **Q. How does a market-competitive total compensation package serve customers?**

12 A. A highly qualified and experienced workforce is necessary for PGE to continue to provide
13 customers with safe, reliable, clean, and affordable energy. If PGE was unable to compete in
14 the job market, we would likely experience not only difficulty hiring new talent but also loss
15 of experienced employees, which in the long-term would lead to inefficiencies and additional
16 costs that will impact customer prices.

B. Total Labor

1 **Q. What are the major components of PGE’s total labor costs?**

2 A. Total labor consists of the total wages, salaries, and contract labor dollars necessary to operate
3 a utility that delivers safe, reliable, clean, and affordable energy to customers. This includes
4 both regular and temporary PGE employees, along with contract employees.

**Table 7
Total Aggregate Labor Costs by Division (\$000)**

	2023 Actuals ⁽¹⁾	2024 Budget	2025 Test Year ⁽³⁾
Administrative and General	\$108,841	\$96,854	\$105,222
Customer Accounts	\$21,658	\$25,405	\$26,420
Customer Service	\$16,091	\$18,234	\$17,763
Generation	\$62,110	\$60,132	\$65,058
Transmission & Distribution	\$223,921	\$240,616	\$255,909
Total Labor ⁽²⁾	\$432,621	\$441,240	\$470,372

(1) Actuals do not include Level 3 storm outage labor.
(2) Numbers may not sum due to rounding.
(3) 2025 amounts are net of PGE’s pre-filing adjustments.

**Table 8
Total Aggregate Labor Costs by Cost Category (\$000)**

	2023 Actuals ⁽¹⁾	2024 Budget	2025 Test Year ⁽³⁾
Salaried Straight Time	\$204,136	\$223,922	\$224,846 38,846
Union Straight Time	\$62,436 8,053	\$74,236 356	\$80,528 648
Hourly Straight Time	\$17,680	\$21,535	\$22,344 3
Union Overtime	\$32,631 27,014	\$24,476 0,163	\$25,855 1,306
Hourly Overtime	\$1,378	\$962	\$1,083
Temporary PGE Labor	\$2,628	\$2,299	\$2,386
Contract Labor	\$60,480	\$37,573	\$54,083 40,083
Paid Time Off (PTO)	\$51,252	\$56,237	\$59,249
Total Wages & Salaries ⁽²⁾	\$432,621	\$441,240	\$470,372

(1) Actuals do not include Level 3 storm outage labor.
(2) Numbers may not sum due to rounding.
(3) 2025 amounts are net of PGE’s pre-filing adjustments.

5 **Q. What escalation rate did PGE use for labor costs in 2025?**

6 A. The escalation rate that PGE used for non-union labor in 2025 is 4.00%,⁷ which is below the
7 Oregon Office of Economic Analysis (OEA) Wage and Salary forecasted increase in 2025 of
8 4.8%.⁸ The 2025 escalation rate for union labor under our largest contract, Business Unit 1,

⁷ Effective February 1, 2025.

⁸ Oregon Department of Economic Analysis. “Oregon Economic and Revenue Forecast.” March 2024. Table A.4

1 which serves our field crew, is currently being negotiated. For 2025 our smaller union
2 contract, Business Unit 2, which serves our thermal fleet workers, will experience either a 3%
3 escalation or the average rate determined by the Independent Energy Human Resources
4 Associate (IEHRA) annual survey, whichever is greater, as laid out in the previously
5 negotiated collective bargaining agreement.

6 **Q. Can you briefly discuss the challenges PGE has faced in recent years regarding**
7 **workforce management?**

8 A. Yes. PGE, like many businesses, has found it increasingly difficult to find qualified candidates
9 to fill open positions in today's challenging job market. Those difficulties apply to most of
10 our professional positions but are especially pronounced in the technical positions that are
11 becoming more important to PGE's operations in areas such as data sciences, engineering,
12 energy trading and pricing, and skilled trade positions.

13 **Q. How has PGE responded to these difficulties?**

14 A. PGE has found it increasingly necessary over the last few years to backfill positions that are
15 difficult to fill with contract labor. Simply because a position goes unfilled as of a certain date,
16 does not typically mean that the associated work goes undone. Instead, to support safe,
17 reliable, and affordable energy for our customers, we must utilize contract labor (and
18 overtime) to fill those gaps in our workforce.

19 **Q. If PGE did not utilize contract labor to backfill for difficult-to-fill positions what would**
20 **happen?**

21 A. If we did not utilize contract labor to backfill for difficult-to-fill positions, PGE would be at
22 risk of having critical work that our customers rely on go uncompleted. Alternatively, an ever-
23 increasing level of overtime from existing employees to cover these gaps will ultimately

1 increase employee burnout and lead to higher turnover rates, further exacerbating the issue.
 2 Neither of those outcomes are compatible with the concept of an efficient and effective
 3 business that can best serve our customers with safe, reliable, and affordable energy.

4 **Q. Has PGE made any adjustments to its test year total labor to reflect this challenge?**

5 A. Yes. While PGE has found it increasingly difficult to find specialized talent, we still ultimately
 6 believe staffing certain positions with regular PGE employees is the best approach. Thus, the
 7 business continues to budget straight-time labor for these positions. However, to reflect the
 8 challenges PGE has faced in recent years with finding qualified candidates, which leads to the
 9 utilization of contract labor to fill temporary gaps in our workforce, we have made an
 10 adjustment that shifts \$14.0 million from straight-time labor costs to contract labor costs
 11 within our 2025 test year forecast. This adjustment is based upon the last three years of budget
 12 to actual variances that PGE has seen between its straight-time labor and contract labor
 13 requirements. While the net impact of this adjustment is zero, we believe it is more reflective
 14 of our workforce composition. Table 9 below provides the three-year budget to actuals trend
 15 in PGE’s O&M wages and salaries supporting this adjustment. On average over the period,
 16 PGE budgeted \$14.5 million above actuals for straight-time O&M labor and budgeted
 17 \$24.5 million below actuals for contract labor.

Table 9
2021-2023 Budget vs. Actuals O&M Labor Variance
 (\$ millions)

Category	2021	2022	2023	2021-2023 Average
Straight-Time Labor Variance	\$7.4	\$24.6	\$11.5	\$14.5
Overtime Labor Variance	\$(11.1)	\$(3.4)	\$(3.4)	\$(6.0)
Contract Labor Variance	\$(35.4)	\$(32.2)	\$(6.0)	\$(24.5)
Total Labor Variance	\$(39.0)	\$(11.0)	\$2.0	\$(16.0)

1 **Q. Has PGE made any additional adjustments to its total labor costs for 2024 and 2025?**

2 A. Yes. To account for vacancies and/or unfilled positions, PGE has included a \$11.7 million
3 O&M reduction to 2024 budgeted and 2025 forecast wages and salaries. The figures in the
4 tables above are net of these adjustments.

C. Incentives

5 **Q. What is incentive pay?**

6 A. Incentive pay is part of a market-competitive total compensation package. Most incentive pay
7 places a portion of employee pay at risk, making it dependent on the employee's performance
8 and quality of output, along with PGE's overall performance. While incentive pay shares
9 characteristics in common with bonuses, most of PGE's incentive pay is different from a
10 bonus because the "at risk" component is utilized to drive performance and outcomes. PGE
11 targets the mid-point of the employment market with our incentive program, however,
12 incentive pay allows high-performing employees to be rewarded with a larger total annual
13 compensation package based on pre-established performance goals and some additional
14 rewards for extraordinary achievement.

15 **Q. Are there any major changes to PGE's incentive pay for 2025?**

16 A. No. The structure and format of PGE's incentive pay have not materially changed since
17 UE 416, our last general rate case.

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

19 A. Incentive pay is approximately 8.0% of PGE's 2025 total compensation costs.
20 However, because PGE has made a pre-filing adjustment to our incentives request in this case,
21 the amount of incentive pay in our request represents approximately 2.8% of PGE's 2025 total
22 compensation. Our pre-filing adjustment removes 50% of the cost of non-officer incentives,

1 and 100% of officer incentives. While we voluntarily make these pre-filing reductions to
 2 lower our request in this rate case, we maintain that 100% of our incentive costs are prudent
 3 utility expenditures in support of safe, reliable, clean, and affordable energy for our customers.
 4 Table 10 below summarizes PGE’s actual incentive costs for 2024 and our request for 2025.

Table 10
Total Incentives (\$000)

Incentive Plans	2023 Actuals	2024 Budget	2025 Test Year⁽¹⁾
Annual Cash Incentive (combined ACI/PIC)	\$27,865	\$31,124	\$14,257
Stock (long-term incentive plan)	\$16,908	\$17,392	\$3,668
One-time recognition and Miscellaneous	\$57	\$23	\$12
Total Incentives⁽²⁾	\$44,830	\$48,540	\$17,937

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

(2) Numbers may not sum due to rounding.

D. Benefits

5 **Q. Please describe the components of PGE’s total benefits.**

6 A. There are four major components to PGE’s market-competitive total benefits package:
 7 1) health and wellness, 2) disability and life insurance, 3) post-retirement, and
 8 4) miscellaneous benefits. These components are also typical parts of our competitors’
 9 offerings. As shown in Table 11 below, we project 2025 test year employee benefit costs of
 10 approximately \$108.9 million, an increase of \$9.0 million compared to 2024 budget.
 11 The leading drivers of the increase are post-retirement and health and dental plan benefit costs.

Table 11
Total Benefits (\$000)

Benefits Category	2023 Actuals	2024 Budget	2025 Test Year
Health and Wellness	\$48,544	\$52,080	\$56,992
Disability and Life Insurance	\$1,865	\$1,696	\$1,862
Post-Retirement	\$34,040	\$43,219	\$47,092
Miscellaneous Benefits	\$2,827	\$2,748	\$2,807
Benefits Administration	\$703	\$193	\$195
Total Benefits*	\$87,980	\$99,935	\$108,947

* Numbers may not sum due to rounding.

1 **Q. Please describe PGE’s 2025 health and wellness benefits request.**

2 A. Health and dental insurance, which makes up the majority of health and wellness expense, is
3 forecasted \$57.0 million in 2025, which is an increase of about 9.4% compared to 2024.
4 This is based on our health and dental insurance broker’s projections of market costs in 2025.

5 **Q. Please describe PGE’s 2025 post-retirement benefit request.**

6 A. PGE’s 2025 post-retirement benefits forecast of \$47.1 million represents an increase of
7 \$3.9 million compared to 2024 budget. This increase is driven almost entirely by our
8 retirement savings plan and is due to wage escalations and an increase in employee
9 contribution match that will take place halfway through the 2024 year.

10 **Q. Please describe the status of PGE’s pension plan.**

11 A. For 2025 PGE forecasts pension cost to be \$3.9 million (or approximately \$2.3 million after
12 capitalization). We use a discount rate of 5.65% and an expected return on assets (EROA) of
13 6.75% in this forecast. PGE’s pension plan is approximately 80% funded at the time of this
14 testimony. For 2025 we forecast an approximate \$24 million contribution⁹ and believe it is
15 likely that yearly contributions will continue for the foreseeable future.

⁹ Cash contributions are not included in our request for this rate case.

V. Qualifications

1 **Q. Ms. Mersereau, please summarize your qualifications.**

2 A. I received a Bachelor of Arts degree in Business Administration: Human Resources and
3 Management with a minor in Economics from Washington State University. I also hold a
4 Senior Professional in Human Resources designation. My professional Human Resources
5 career spans thirty-plus years and includes various roles at PGE for the last 14 years, as well
6 as leadership positions with Hilton Hotels Corporation, Marsh USA Inc., and Waldron
7 Consulting. I joined PGE's Human Resource (HR) organization in 2009. I've served
8 employees in Line Operations as well as Transmission and Distribution engineers, Substation
9 Operations, Service & Design, and Public Policy employees. In 2014, I became the Employee
10 Services Manager, where I led HR Operations including HR Systems Reporting & Analytics,
11 Payroll, Service Center, Health Services, and other areas. I became Vice President of HR,
12 Diversity & Inclusion in 2016. In this position, I am responsible for leading the organization's
13 people strategy, including talent acquisition and management, employee engagement, total
14 rewards, health and wellness, diversity, equity and inclusion, and real estate services.

15 I am an active member of the community with a passion for education and workforce
16 development. In 2017, I was appointed by Oregon Governor Kate Brown to the Oregon
17 Workforce and Talent Development Board and currently serve as the Vice Chair. I also serve
18 on the board of Friends of the Children-Portland.

19 **Q. Mr. Trpik, please summarize your qualifications.**

20 A. I joined PGE in 2023 bringing deep expertise in financial planning and analysis, capital
21 allocation, cost management, risk management, financial systems, accounting, tax and
22 investor communications, among other functions in the utility industry. Over my entire

1 professional career, I have been involved with the utility industry in Finance and Accounting
2 roles. Immediately prior to joining PGE, I served over 22 years in senior leadership positions
3 with Exelon Corporation - one of the nation's largest utilities. These included senior vice
4 president positions as Chief Financial Officer of Exelon Utilities as well as Chief Accounting
5 Officer of Exelon Corporation.

6 I hold degrees in Finance and Accounting from Florida State University and I am a
7 certified public accountant in Florida. Currently I am serving on the Board of Governors,
8 School of the Art Institute of Chicago as well as the Accounting Professional Advisory Board
9 of Florida State University.

10 **Q. Does this conclude your testimony?**

11 A. Yes.

List of Exhibits

<u>PGE Exhibit</u>	<u>Description</u>
301	Summary of A&G Costs
302	PGE Insurance Policies List
303C	Summary of Insurance Costs
304	Direct and Allocated IT Charges

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I. Introduction

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

2 A. My name is Joe Trpik. My Position is Senior Vice President, Chief Financial Officer.

3 My qualifications appear at the end of this testimony.

4 My name is Anne Mersereau. My position is Vice President, Human Resources,
5 Diversity, Equity & Inclusion at PGE. My qualifications appear at the end of this testimony.

6 My name is Greg Batzler. I am a Senior Regulatory Consultant in Regulatory Affairs at
7 PGE. My qualifications appear at the end of PGE Exhibit 200.

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

9 A. We explain PGE's request for approximately \$221.7 million in administrative and general
10 (A&G) costs in 2025, a decrease of \$13.8 million compared to the 2024 budget of
11 \$235.5 million.¹ Additionally, we present PGE's 2025 Total Compensation forecast of
12 \$597.3 million, including total labor costs, incentives, and benefits, an increase of
13 \$7.5 million, or 1.3%, compared to 2024 budgeted amounts of \$589.7 million.

14 **Q. Why are you comparing PGE's 2025 test year forecast to the 2024 budget, rather than**
15 **2023 actuals?**

16 A. We do this because the 2024 budget approximates the final Docket No. UE 416 (UE 416)
17 costs that are currently in PGE's retail rates, as approved by Commission Order No. 23-386.
18 As 2025 is only one year beyond the UE 416 test year of 2024, it is the most accurate
19 comparable basis from which to discuss changes expected in 2025 is PGE's 2024 budget.
20 However, for comparison purposes, the tables below also present 2023 actuals in addition to
21 2024 budget and 2025 forecast amounts.

¹ Unless specifically indicated as capital costs, all A&G costs in this testimony refer to O&M costs.

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

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

3 • Section II – Overview and Summary

4 • Section III – Corporate Support

5 • Section IV – Total Compensation

6 • Section V – Qualifications

II. Overview and Summary

1 **Q. Please summarize your request for this filing.**

2 A. We request that the Commission approve PGE’s forecast of \$221.7 million of A&G costs in
3 the 2025 test year, which represents a \$13.8 million decrease from 2024 budget. We request
4 that the Commission approve PGE’s IT related capital additions of \$68.8 million as well as
5 our IT O&M forecast of \$83.0 million. Finally, we request that the Commission approve
6 PGE’s forecast of \$597.3 million of total compensation costs in the 2025 test year.

7 **Q. How would approval of PGE’s request benefit customers?**

8 A. The values above include amounts for continued insurance coverage, which benefits
9 customers as it helps to protect customers against increased risks, premium volatility, and
10 higher costs associated with being underinsured. IT investments better equip our workforce
11 to serve our customers efficiently and effectively. Through IT upgrades, customers benefit
12 from programs that protect against cyberattacks as well as software that helps prevent
13 damages to the underground wires serving customers. Competent and skilled employees are
14 needed to successfully execute customer programs, keep costs low, and support the delivery
15 of safe, reliable power. Competitive compensation attracts and helps retain those strong
16 employees.

III. Corporate Support

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

2 A. We classify A&G as the back-office functions that support PGE’s direct operations that
3 deliver safe, reliable, clean, and affordable energy to customers. This includes human
4 resources (HR), accounting and finance, insurance, supply chain, corporate security and
5 business continuity, regulatory affairs, legal services, and information technology (IT).
6 We also include other costs such as employee benefits and incentives, support services, and
7 regulatory fees that fall within the Federal Energy Regulatory Commission’s (FERC)
8 definition of A&G.² PGE Exhibit 301 provides a list of A&G functions plus a summary of
9 costs for 2021 (actuals) through 2025 (test year forecast). Table 1 below summarizes major
10 A&G costs for 2024 budget and the 2025 test year by functional area.

² 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	2023 Actuals	2024 Budget	2025 Forecast	2024-2025 Delta*
Accounting/Finance	\$ 14.4	\$ 13.8	\$ 14.8	\$ 1.0
Business Support Services	1.7	1.3	1.6	0.3
Corp Communications/Public Affairs	3.2	4.6	5.0	0.4
Corporate Governance	8.4	6.6	6.8	0.2
Corporate R&D	2.6	2.7	3.5	0.8
Environmental Services	1.6	2.5	2.5	0.0
Facilities/Rent	4.1	4.9	5.0	0.1
Governmental Affairs	1.7	2.0	2.2	0.2
HR/Employee Support (net of capital allocs.)	11.3	12.3	13.1	0.8
Hydro Licensing and Support	0.0	0.02	0.02	0.0
Insurance	18.8	19.9	21.9	2.0
IT: Direct & Allocated ³	16.3	15.4	18.2	2.8
Legal	6.7	9.1	9.7	0.6
Performance Management	0.1	0.3	0.3	0.0
Regulation	3.4	4.2	3.8	(0.4)
Physical Security and Business Continuity	4.1	5.2	5.3	0.1
Supply Chain/Contract Services/Purchasing	3.7	3.3	3.5	0.2
Sustainability and Resource Planning	1.1	2.3	1.8	(0.5)
Total for Major Functional Areas*	\$ 103.3	\$ 110.4	\$ 119.1	\$ 8.7
Benefits (net of capital allocs.)	42.8	53.1	57.9	4.8
Corporate Allocations (net)	(4.7)	(7.8)	(8.8)	(1.0)
Corporate Cost Reductions	0.0	(3.7)	(3.4)	0.3
General Plant Maintenance	4.6	4.6	4.2	(0.4)
Incentives	44.8	48.5	17.9	(30.6)
LC Fees, Revolver Fees, Margin Net Int., & Broker Fees	4.2	3.6	3.5	(0.1)
Membership Expense	2.8	3.3	3.5	0.2
Regulatory Fees	12.8	14.9	16.6	1.7
Severance	1.3	0.0	0.0	0.0
Total Labor Loadings to A&G	0.0	0.0	2.4	2.4
Total PTO to A&G	7.9	8.4	8.8	0.3
Total Other A&G Costs*	\$ 116.4	\$ 125.0	\$ 102.6	\$ (24.4)
Total A&G*	\$ 219.7	\$ 235.5	\$ 221.7	\$ (13.8)

*May not sum due to rounding

- 1 **Q. How would you characterize the forecasted change in A&G costs from 2024 to 2025?**
- 2 A. Total A&G costs decrease overall when comparing 2024 budget to the 2025 forecast.
- 3 Within the 2025 forecast, cost increases are within three primary areas: insurance, benefits,
- 4 and IT. Insurance costs continue to be subject to the same trends that we identified in PGE’s
- 5 2024 general rate case (UE 416) and are described in detail in Section III (A). Benefits, as

³ “IT: Direct & Allocated” as referenced in Table 1 only applies to amounts for A&G, for information on the entirety of IT see Section III of this testimony.

1 discussed in Section IV of this testimony, are largely driven by medical, dental, and retirement
2 costs. While we actively manage costs associated with insurance and benefits, they are
3 primarily external to PGE and increase in costs reflect larger market conditions and/or
4 regulatory requirements beyond our control. We also forecast a modest increase in IT as these
5 systems continue to be integral to all aspects of PGE's operations. IT costs are described in
6 Section III (B).

7 **Q. Has PGE included any adjustments for meals and entertainment in its 2025 O&M**
8 **forecast?**

9 A. Yes. We reduced our meals and entertainment (M&E) 2025 forecast by \$275 thousand, which
10 is approximately 50% of the M&E costs incurred within A&G during 2023.

A. Insurance

11 **Q. What types of insurance coverage does PGE maintain?**

12 A. In general, the insurance coverage maintained by PGE falls into two broad programs: Property
13 and Casualty. PGE maintains a prudent portfolio of insurance coverage consistent with
14 industry peers, which we list and describe in PGE Exhibit 302 and Confidential PGE
15 Exhibit 303. In addition to using insurance to manage risk, PGE also continues to evaluate
16 other alternatives as a means of reducing its overall cost of risk. We discuss PGE's insurance
17 coverage, as well as retained losses, below.

18 **Q. What is PGE's forecast for insurance premiums for 2025?**

19 A. As shown in Table 2 below, we expect total Property and Casualty premiums to be
20 approximately \$32.6 million. This compares to 2024 budgeted premiums of \$27.7 million, an
21 increase of 17.4%.

Table 2
Insurance Premiums (\$ millions)

Type of Loss	2023 Actuals**	2024 Budget**	2025 Forecast**	2024-2025 % Increase
Property	\$11.2	\$6.2	\$6.8	9.4%
Casualty	\$11.1	\$21.6	\$25.8***	19.7%
Totals*	\$22.2	\$27.7	\$32.6	17.4%

**May not sum due to rounding.*

***Premium amounts do not include membership credits*

****Premium amounts exclude 50% of D&O premium*

1 **Q. What is reflected in PGE’s 2025 revenue requirement for insurance premiums?**

2 A. Amounts included within PGE’s revenue requirement and provided as part of Table 1 are
3 consistent with how PGE records insurance costs under Generally Accepted Accounting
4 Principles, using the accrual basis of accounting. That is, insurance costs are recorded
5 consistent with the period of coverage. By contrast, the costs in Table 2 and amounts discussed
6 within this section are presented by insurance policy years (i.e., the year in which the policy
7 premium is payable).

1. Property

8 **Q. What types of coverage are included in PGE’s Property insurance program?**

- 9 A. The lines of coverage in PGE’s Property insurance program are as follows:
- 10 • All-Risk Property (all PGE assets excluding transmission and distribution)
 - 11 • Fidelity & Crime; and
 - 12 • Sabotage & Terrorism.

13 **Q. What changes do you expect in Property insurance premiums?**

14 A. Calendar year 2023 was the sixth year since 2017 that the global Property insurance market
15 saw losses from natural catastrophes in excess of \$100 billion.⁴ As a result of these challenges,

⁴ See Freedman, Andrew, “Global insured disaster losses in 2023 to top \$100B,” AXIOS (October 19, 2023), available at <https://www.axios.com/2023/10/19/extreme-weather-insurance-costs>.

1 insurance underwriters continue to seek double-digit rate increases while pushing for higher
2 deductibles and/or reducing available limits.

3 As a result of these market conditions, PGE restructured its Property insurance program
4 beginning in 2024. Overall, from 2023 to the 2025 forecast, PGE is experiencing a 39.8%
5 reduction in Property insurance premiums. This is the result of a significant decrease from
6 restructuring the program in 2024, offset by a smaller increase of 9.7% from 2024 to 2025.

7 **Q. Please provide more detail on the restructuring of PGE’s Property insurance program.**

8 A. Like most investor-owned utilities’ Property insurance, PGE’s prior Property insurance
9 program was comprised of more than ten insurers (United States and London) that subscribed
10 on a quota share basis. The new program, effective January 1, 2024, is led by Everen Limited
11 out of Bermuda and provides a single large block of capacity for all of PGE’s assets (excluding
12 transmission and distribution). Because Everen is a post-loss funding mutual insurance
13 company, it offers insurance to its members “at cost” (premiums are derived from claims costs
14 and expenses only), and loss funding (premiums) are spread over a rolling 5-year period to
15 reduce premium volatility and make premiums more predictable over time. Everen’s
16 membership is comprised of 68 current members who make up some of the largest energy
17 companies around the world. While Everen was established in 1972, it was not until the early
18 2000s that membership was opened to electric utilities (of the 64 Everen members, six are
19 U.S. electric utilities).

2. Casualty

20 **Q. What types of coverage are included in PGE’s Casualty insurance program?**

- 21 A. The lines of coverage in PGE’s Casualty insurance program are as follows:
- 22 • General & Auto Liability

- 1 • Directors and officers (D&O) Liability
- 2 • Fiduciary Liability
- 3 • Workers' Compensation
- 4 • Nuclear Liability
- 5 • Cyber Liability
- 6 • Aviation Hull & Liability (Including Unmanned Aircraft Systems)
- 7 • Sabotage & Terrorism
- 8 • Surety Bonds

9 PGE Exhibit 302 describes each policy's purpose in more detail.

10 **Q. What changes do you expect in Casualty insurance premiums?**

11 A. PGE expects a premium increase of 22.0% in its General & Auto Liability insurance program.

12 The adverse impacts of wildfire losses over the last decade continue to be a primary driver of
13 this premium increase. Additionally, the 2020 Labor Day fires in the Pacific Northwest
14 specifically, along with subsequent fires across the country from 2020 through 2023⁵ in
15 general, have continued to shed light on the catastrophic exposure faced by utilities in the
16 region. Other exposures that increase underwriting scrutiny and adversely impact utility
17 insurance pricing in the U.S. and Bermuda markets continue to be the perceived risk of large
18 auto fleets, gas pipeline infrastructure, use of drones, hydro facilities, and their safety
19 protocols, and high-dollar verdicts involving liability claims greater than \$10.0 million.

20 Workers' Compensation insurance is expected to see continued rate increases above 10%
21 primarily due to industry-wide losses combined with a general rise in medical costs, inflation,

⁵ Beachie Creek, Archie Creek, Holiday Farm, and Slater fires in 2020, Bootleg fire in 2021, Cedar Creek fire in 2022, Smith River Complex and Camp Creek fires in 2023.

1 wage growth, an aging workforce, along with the ongoing transition back to more of an
2 in-person work environment – all of which put pressure on Workers’ Compensation rate
3 adequacy in 2025. Cyber Liability underwriters continue pushing double-digit rate increases,
4 especially in the energy and utility sector due to the high cyber-attack target value of these
5 industries, impacting multiple companies at once. Casualty losses would produce upward
6 pressure on rates beyond the current forecast. Overall, we anticipate a 19.7% increase on
7 premiums over 2024 budget levels without taking into account any unknown increases in
8 premiums we may face due to the ongoing consequences of recent natural disasters discussed
9 above.

10 **Q. Has PGE included 100% of D&O insurance coverage in the 2025 test year?**

11 A. No. We have excluded 50% of D&O insurance coverage costs to reduce the size of our request
12 for the benefit of our customers and consistent with prior settlement terms, though we have
13 previously recovered 100% of these expenses.

3. Retained Losses

14 **Q. What are retained losses?**

15 A. Retained losses are the portion of any claim falling within PGE’s self-insured retentions for
16 its Auto Liability, General Liability, and Workers’ Compensation claims that are frequent and
17 predictable. Simply put, retained losses are the amounts borne by PGE before any insurance
18 recovery.

19 **Q. What is PGE’s forecast of expenditures for retained losses from 2024 to 2025?**

20 A. As shown in Table 3, PGE expects annual retained losses for Workers’ Compensation and
21 Auto and General Liability claims to remain flat from 2024 to 2025. In 2024 and 2025, PGE’s
22 annual expenditures are budgeted and forecasted at the expected level, based on the actuarial

1 projections, and anticipated claims. PGE budgets for Auto and General Liability retained
2 losses based on actuarial projections. Workers’ Compensation retained losses are budgeted by
3 reviewing PGE’s prior year’s claim experience and adjusting as needed for new and
4 anticipated claims costs.

Table 3
Retained Losses (\$ millions)

Type of Loss	2023 Actuals	2024 Budget	2025 Forecast	2024-2025 % Increase
Auto & General Liability	\$1.7	\$2.5	\$2.5	0.0%
Workers’ Compensation	\$1.4	\$1.9	\$1.9	0.0%
Totals*	\$3.0	\$4.4	\$4.4	2.3%

**May not sum due to rounding*

B. Information Technology

1. IT Capital Projects

1 **Q. Please summarize the major IT capital additions since PGE’s last general rate case.⁶**

2 A. PGE is implementing new IT systems and programs to replace aging IT infrastructure as our
3 business continues to grow and increasingly utilizes digital solutions to support the delivery
4 of safe, reliable, clean, and affordable energy. In support of this effort, PGE’s major IT
5 projects that will close to plant by December 31, 2024, total approximately \$58.4 million.
6 Table 4 below highlights the six major IT project investments included in this case.

Table 4
Major IT Capital Additions (\$millions)

Project	Additions
IT Software Blanket	\$18.3
Tech Refresh	\$15.0
Zero Trust	\$5.7
Network Fitness	\$5.5
CTO Desktop Fitness	\$5.4
Server Storage Fitness	\$4.3
Energy Management Systems (EMS) Upgrade	\$4.3
Sub-Total of Major IT Capital Additions	\$58.5
Other IT Capital Additions	\$10.3
Total IT Capital Additions	\$68.8

7 **Q. Please elaborate on what is included in the \$58.5 million of major IT investments listed**
8 **above.**

9 A. Major IT investments include:

- 10 • \$18.3 million related to a blanket fund for IT Software, to be used for the purchase
11 and replacement of various software programs used to support PGE’s utility
12 business.

⁶ *In the Matter of Portland General Electric Company, Request for General Rate Revision, Docket UE 416 set rate base amounts as of December 31, 2023.*

- 1 • \$15.0 million related to the Tech Refresh project, which will modernize and recharge
2 our workforce by replacing Asset and Resource Management (ARM) with options
3 that leverage updated technology and functionality tools to better support PGE’s field
4 and scheduling work, provide mobile friendly opportunities, and better equip our
5 workforce to serve our customers efficiently and effectively.
- 6 • \$5.7 million related to our Zero Trust program, an enterprise-wide IT initiative that
7 will provide higher levels of network segmentation to provide better visibility,
8 authentication, and control of network access for the purpose of keeping PGE’s
9 systems safe from cyberattacks.
- 10 • \$5.5 million related to network fitness, to fund the review, replacement, and
11 decommissioning of network infrastructure that has reached the end of its useful life
12 including routers, switches, wireless accessories, firewalls, and supporting
13 infrastructure.
- 14 • \$5.4 million related to desktop fitness, to fund replacement of desktop computers,
15 laptop computers, and other end-user devices that have reached the end of their useful
16 life or otherwise need to be replaced.
- 17 • \$4.3 million related to server storage fitness, used to replace on-premise computer
18 server infrastructure that has reached the end of its useful life.
- 19 • \$4.3 million related to an EMS Upgrade, which will keep our Energy Management
20 System current and capable of supporting engineering studies critical to PGE’s
21 compliance with FERC Order No. 881.

2. IT O&M

1 **Q. Please summarize the activities PGE categorizes as IT.**

2 A. IT consists of the departments responsible for developing, operating, and maintaining our
3 computer, cyber, information, and communication systems. These systems continue to be
4 increasingly important to all aspects of PGE's operations, with increasing scope, reliance, and
5 use. As PGE modernizes systems and processes, like all providers of critical infrastructure,
6 we are also continuing to be increasingly reliant on evolving technology. This increases our
7 need for more resilient, secure, and reliable systems with which to conduct operations and
8 provide customer service.

9 As PGE continues to improve the functionality of our systems and customer-focused
10 products and services (in response to customer needs and expectations), our systems are
11 experiencing incremental and continuous evolution. These systems are now more connected
12 and integrated, requiring incremental resources to provide matching cyber capabilities with
13 safer security platforms.

14 **Q. By how much do you forecast IT O&M costs to increase?**

15 A. We forecast IT O&M costs to increase by approximately \$9.4 million, from \$73.7 million in
16 2024 to \$83.0 million in 2025, as shown in Table 5 below. Because these costs relate to all
17 areas of PGE's operations, they are directly charged or allocated to appropriate operating areas
18 and appear as part of each area's O&M costs. Consequently, we discuss IT as a whole in this
19 section of the testimony rather than just the portion charged to A&G.

Table 5
Total IT O&M Costs (\$ millions)

<u>Category</u>	<u>2023</u> <u>Actuals</u>	<u>2024</u> <u>Budget</u>	<u>2025</u> <u>Forecast</u>	<u>2024-2025</u> <u>Delta</u>
Direct Charges to Operating Areas	\$29.6	\$23.0	\$27.3	\$4.4
Allocated Charges to Operating Areas	\$44.6	\$50.7	\$55.7	\$5.0
Total IT*	\$74.2	\$73.7	\$83.0	\$9.4

1 **Q. Please elaborate on direct charging and allocating IT expenses.**

2 A. As shown in Table 5 above, PGE’s IT costs fall into two categories: directly charged and
3 allocated. Directly charged costs relate to systems that are specific to a given operating area,
4 such as transmission, distribution, or customer service. Consequently, these costs are charged
5 directly to specific O&M accounts related to those operating areas. Other IT work in the areas
6 of voice, data, network, communications, business recovery, the data center, and office
7 systems, does not benefit any specific operating area alone; instead, these costs apply broadly
8 to all PGE activities and departments. These costs are first charged to a balance sheet account
9 (Account No. 1840004 – IT Service Provider) and then allocated to expense accounts for the
10 various operating areas. PGE Exhibit 305 provides a summary of the direct and allocated
11 charges by operating area.

12 **Q. What are the major drivers of the forecasted IT O&M cost increase from 2024 to 2025?**

13 A. Major drivers of the variance between 2024 budget and the 2025 forecast of IT O&M include:

- 14 • IT software and hardware support – we forecast an additional \$4.7 million from the
15 2024 budget to fund positions supporting IT software and hardware. Specifically, the
16 increased labor will provide Day 2 support (i.e., on-going systems maintenance) of
17 capital projects included within PGE’s Tech Roadmap.
- 18 • Application support - including support for Enterprise Resource Planning (ERP),
19 IQGeo, Maximo, and mobile support – we forecast an approximate \$1.4 million

- 1 increase in 2025 to support investment in various applications.
- 2 • Escalations – we forecast an additional \$1.2 million increase due to escalations in
- 3 2025. For more information about escalation rates see Exhibit 200.

IV. Total Compensation

1 **Q. Please summarize your total compensation costs in 2025.**

2 A. As shown below in Table 6, we forecast total compensation costs to increase from the 2024
3 budget to 2025 forecast by \$7.5 million, driven by increases in benefits expenses and labor
4 escalation rates.

Table 6
Total Compensation Costs By Type (\$ Millions)

Component	2023 Actuals	2024 Budget	2025 Test Year	2024-2025 Delta
Total Labor	\$432.6	\$441.2	\$470.4	\$29.1
Incentives	\$44.8	\$48.5	\$17.9	\$(30.6)
Benefits	\$88.0	\$99.9	\$108.9	\$9.0
Total Compensation*	\$565.4	\$589.7	\$597.3	\$7.5

* Numbers may not sum due to rounding

A. Total Compensation Philosophy

5 **Q. Please briefly describe PGE's total compensation goals.**

6 A. PGE's goal is to provide a total compensation package sufficient to attract, develop, and retain
7 a diverse group of employees with strong qualifications and skills.

8 **Q. How does PGE control costs while striving to achieve this goal?**

9 A. To keep prices affordable for customers, PGE actively controls costs by targeting market
10 median conditions for our total compensation program.

11 **Q. How does a market-competitive total compensation package serve customers?**

12 A. A highly qualified and experienced workforce is necessary for PGE to continue to provide
13 customers with safe, reliable, clean, and affordable energy. If PGE was unable to compete in
14 the job market, we would likely experience not only difficulty hiring new talent but also loss
15 of experienced employees, which in the long-term would lead to inefficiencies and additional
16 costs that will impact customer prices.

B. Total Labor

1 **Q. What are the major components of PGE’s total labor costs?**

2 A. Total labor consists of the total wages, salaries, and contract labor dollars necessary to operate
3 a utility that delivers safe, reliable, clean, and affordable energy to customers. This includes
4 both regular and temporary PGE employees, along with contract employees.

**Table 7
Total Aggregate Labor Costs by Division (\$000)**

	2023 Actuals ⁽¹⁾	2024 Budget	2025 Test Year ⁽³⁾
Administrative and General	\$108,841	\$96,854	\$105,222
Customer Accounts	\$21,658	\$25,405	\$26,420
Customer Service	\$16,091	\$18,234	\$17,763
Generation	\$62,110	\$60,132	\$65,058
Transmission & Distribution	\$223,921	\$240,616	\$255,909
Total Labor ⁽²⁾	\$432,621	\$441,240	\$470,372

(1) Actuals do not include Level 3 storm outage labor.
(2) Numbers may not sum due to rounding.
(3) 2025 amounts are net of PGE’s pre-filing adjustments.

**Table 8
Total Aggregate Labor Costs by Cost Category (\$000)**

	2023 Actuals ⁽¹⁾	2024 Budget	2025 Test Year ⁽³⁾
Salaried Straight Time	\$204,136	\$223,922	\$224,846
Union Straight Time	\$62,436	\$74,236	\$80,528
Hourly Straight Time	\$17,680	\$21,535	\$22,344
Union Overtime	\$32,631	\$24,476	\$25,855
Hourly Overtime	\$1,378	\$962	\$1,083
Temporary PGE Labor	\$2,628	\$2,299	\$2,386
Contract Labor	\$60,480	\$37,573	\$54,083
Paid Time Off (PTO)	\$51,252	\$56,237	\$59,249
Total Wages & Salaries ⁽²⁾	\$432,621	\$441,240	\$470,372

(1) Actuals do not include Level 3 storm outage labor.
(2) Numbers may not sum due to rounding.
(3) 2025 amounts are net of PGE’s pre-filing adjustments.

5 **Q. What escalation rate did PGE use for labor costs in 2025?**

6 A. The escalation rate that PGE used for non-union labor in 2025 is 4.00%,⁷ which is below the
7 Oregon Office of Economic Analysis (OEA) Wage and Salary forecasted increase in 2025 of
8 4.8%.⁸ The 2025 escalation rate for union labor under our largest contract, Business Unit 1,

⁷ Effective February 1, 2025.

⁸ Oregon Department of Economic Analysis. “Oregon Economic and Revenue Forecast.” March 2024. Table A.4

1 which serves our field crew, is currently being negotiated. For 2025 our smaller union
2 contract, Business Unit 2, which serves our thermal fleet workers, will experience either a 3%
3 escalation or the average rate determined by the Independent Energy Human Resources
4 Associate (IEHRA) annual survey, whichever is greater, as laid out in the previously
5 negotiated collective bargaining agreement.

6 **Q. Can you briefly discuss the challenges PGE has faced in recent years regarding**
7 **workforce management?**

8 A. Yes. PGE, like many businesses, has found it increasingly difficult to find qualified candidates
9 to fill open positions in today's challenging job market. Those difficulties apply to most of
10 our professional positions but are especially pronounced in the technical positions that are
11 becoming more important to PGE's operations in areas such as data sciences, engineering,
12 energy trading and pricing, and skilled trade positions.

13 **Q. How has PGE responded to these difficulties?**

14 A. PGE has found it increasingly necessary over the last few years to backfill positions that are
15 difficult to fill with contract labor. Simply because a position goes unfilled as of a certain date,
16 does not typically mean that the associated work goes undone. Instead, to support safe,
17 reliable, and affordable energy for our customers, we must utilize contract labor (and
18 overtime) to fill those gaps in our workforce.

19 **Q. If PGE did not utilize contract labor to backfill for difficult-to-fill positions what would**
20 **happen?**

21 A. If we did not utilize contract labor to backfill for difficult-to-fill positions, PGE would be at
22 risk of having critical work that our customers rely on go uncompleted. Alternatively, an ever-
23 increasing level of overtime from existing employees to cover these gaps will ultimately

1 increase employee burnout and lead to higher turnover rates, further exacerbating the issue.
 2 Neither of those outcomes are compatible with the concept of an efficient and effective
 3 business that can best serve our customers with safe, reliable, and affordable energy.

4 **Q. Has PGE made any adjustments to its test year total labor to reflect this challenge?**

5 A. Yes. While PGE has found it increasingly difficult to find specialized talent, we still ultimately
 6 believe staffing certain positions with regular PGE employees is the best approach. Thus, the
 7 business continues to budget straight-time labor for these positions. However, to reflect the
 8 challenges PGE has faced in recent years with finding qualified candidates, which leads to the
 9 utilization of contract labor to fill temporary gaps in our workforce, we have made an
 10 adjustment that shifts \$14.0 million from straight-time labor costs to contract labor costs
 11 within our 2025 test year forecast. This adjustment is based upon the last three years of budget
 12 to actual variances that PGE has seen between its straight-time labor and contract labor
 13 requirements. While the net impact of this adjustment is zero, we believe it is more reflective
 14 of our workforce composition. Table 9 below provides the three-year budget to actuals trend
 15 in PGE’s O&M wages and salaries supporting this adjustment. On average over the period,
 16 PGE budgeted \$14.5 million above actuals for straight-time O&M labor and budgeted
 17 \$24.5 million below actuals for contract labor.

Table 9
2021-2023 Budget vs. Actuals O&M Labor Variance
(\$ millions)

Category	2021	2022	2023	2021-2023 Average
Straight-Time Labor Variance	\$7.4	\$24.6	\$11.5	\$14.5
Overtime Labor Variance	\$(11.1)	\$(3.4)	\$(3.4)	\$(6.0)
Contract Labor Variance	\$(35.4)	\$(32.2)	\$(6.0)	\$(24.5)
Total Labor Variance	\$(39.0)	\$(11.0)	\$2.0	\$(16.0)

1 **Q. Has PGE made any additional adjustments to its total labor costs for 2024 and 2025?**

2 A. Yes. To account for vacancies and/or unfilled positions, PGE has included a \$11.7 million
3 O&M reduction to 2024 budgeted and 2025 forecast wages and salaries. The figures in the
4 tables above are net of these adjustments.

C. Incentives

5 **Q. What is incentive pay?**

6 A. Incentive pay is part of a market-competitive total compensation package. Most incentive pay
7 places a portion of employee pay at risk, making it dependent on the employee's performance
8 and quality of output, along with PGE's overall performance. While incentive pay shares
9 characteristics in common with bonuses, most of PGE's incentive pay is different from a
10 bonus because the "at risk" component is utilized to drive performance and outcomes. PGE
11 targets the mid-point of the employment market with our incentive program, however,
12 incentive pay allows high-performing employees to be rewarded with a larger total annual
13 compensation package based on pre-established performance goals and some additional
14 rewards for extraordinary achievement.

15 **Q. Are there any major changes to PGE's incentive pay for 2025?**

16 A. No. The structure and format of PGE's incentive pay have not materially changed since
17 UE 416, our last general rate case.

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

19 A. Incentive pay is approximately 8.0% of PGE's 2025 total compensation costs.
20 However, because PGE has made a pre-filing adjustment to our incentives request in this case,
21 the amount of incentive pay in our request represents approximately 2.8% of PGE's 2025 total
22 compensation. Our pre-filing adjustment removes 50% of the cost of non-officer incentives,

1 and 100% of officer incentives. While we voluntarily make these pre-filing reductions to
 2 lower our request in this rate case, we maintain that 100% of our incentive costs are prudent
 3 utility expenditures in support of safe, reliable, clean, and affordable energy for our customers.
 4 Table 10 below summarizes PGE’s actual incentive costs for 2024 and our request for 2025.

Table 10
Total Incentives (\$000)

Incentive Plans	2023 Actuals	2024 Budget	2025 Test Year⁽¹⁾
Annual Cash Incentive (combined ACI/PIC)	\$27,865	\$31,124	\$14,257
Stock (long-term incentive plan)	\$16,908	\$17,392	\$3,668
One-time recognition and Miscellaneous	\$57	\$23	\$12
Total Incentives⁽²⁾	\$44,830	\$48,540	\$17,937

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

(2) Numbers may not sum due to rounding.

D. Benefits

5 **Q. Please describe the components of PGE’s total benefits.**

6 A. There are four major components to PGE’s market-competitive total benefits package:
 7 1) health and wellness, 2) disability and life insurance, 3) post-retirement, and
 8 4) miscellaneous benefits. These components are also typical parts of our competitors’
 9 offerings. As shown in Table 11 below, we project 2025 test year employee benefit costs of
 10 approximately \$108.9 million, an increase of \$9.0 million compared to 2024 budget.
 11 The leading drivers of the increase are post-retirement and health and dental plan benefit costs.

Table 11
Total Benefits (\$000)

Benefits Category	2023 Actuals	2024 Budget	2025 Test Year
Health and Wellness	\$48,544	\$52,080	\$56,992
Disability and Life Insurance	\$1,865	\$1,696	\$1,862
Post-Retirement	\$34,040	\$43,219	\$47,092
Miscellaneous Benefits	\$2,827	\$2,748	\$2,807
Benefits Administration	\$703	\$193	\$195
Total Benefits*	\$87,980	\$99,935	\$108,947

* Numbers may not sum due to rounding.

1 **Q. Please describe PGE’s 2025 health and wellness benefits request.**

2 A. Health and dental insurance, which makes up the majority of health and wellness expense, is
3 forecasted \$57.0 million in 2025, which is an increase of about 9.4% compared to 2024.
4 This is based on our health and dental insurance broker’s projections of market costs in 2025.

5 **Q. Please describe PGE’s 2025 post-retirement benefit request.**

6 A. PGE’s 2025 post-retirement benefits forecast of \$47.1 million represents an increase of
7 \$3.9 million compared to 2024 budget. This increase is driven almost entirely by our
8 retirement savings plan and is due to wage escalations and an increase in employee
9 contribution match that will take place halfway through the 2024 year.

10 **Q. Please describe the status of PGE’s pension plan.**

11 A. For 2025 PGE forecasts pension cost to be \$3.9 million (or approximately \$2.3 million after
12 capitalization). We use a discount rate of 5.65% and an expected return on assets (EROA) of
13 6.75% in this forecast. PGE’s pension plan is approximately 80% funded at the time of this
14 testimony. For 2025 we forecast an approximate \$24 million contribution⁹ and believe it is
15 likely that yearly contributions will continue for the foreseeable future.

⁹ Cash contributions are not included in our request for this rate case.

V. Qualifications

1 **Q. Ms. Mersereau, please summarize your qualifications.**

2 A. I received a Bachelor of Arts degree in Business Administration: Human Resources and
3 Management with a minor in Economics from Washington State University. I also hold a
4 Senior Professional in Human Resources designation. My professional Human Resources
5 career spans thirty-plus years and includes various roles at PGE for the last 14 years, as well
6 as leadership positions with Hilton Hotels Corporation, Marsh USA Inc., and Waldron
7 Consulting. I joined PGE's Human Resource (HR) organization in 2009. I've served
8 employees in Line Operations as well as Transmission and Distribution engineers, Substation
9 Operations, Service & Design, and Public Policy employees. In 2014, I became the Employee
10 Services Manager, where I led HR Operations including HR Systems Reporting & Analytics,
11 Payroll, Service Center, Health Services, and other areas. I became Vice President of HR,
12 Diversity & Inclusion in 2016. In this position, I am responsible for leading the organization's
13 people strategy, including talent acquisition and management, employee engagement, total
14 rewards, health and wellness, diversity, equity and inclusion, and real estate services.

15 I am an active member of the community with a passion for education and workforce
16 development. In 2017, I was appointed by Oregon Governor Kate Brown to the Oregon
17 Workforce and Talent Development Board and currently serve as the Vice Chair. I also serve
18 on the board of Friends of the Children-Portland.

19 **Q. Mr. Trpik, please summarize your qualifications.**

20 A. I joined PGE in 2023 bringing deep expertise in financial planning and analysis, capital
21 allocation, cost management, risk management, financial systems, accounting, tax and
22 investor communications, among other functions in the utility industry. Over my entire

1 professional career, I have been involved with the utility industry in Finance and Accounting
2 roles. Immediately prior to joining PGE, I served over 22 years in senior leadership positions
3 with Exelon Corporation - one of the nation's largest utilities. These included senior vice
4 president positions as Chief Financial Officer of Exelon Utilities as well as Chief Accounting
5 Officer of Exelon Corporation.

6 I hold degrees in Finance and Accounting from Florida State University and I am a
7 certified public accountant in Florida. Currently I am serving on the Board of Governors,
8 School of the Art Institute of Chicago as well as the Accounting Professional Advisory Board
9 of Florida State University.

10 **Q. Does this conclude your testimony?**

11 A. Yes.

List of Exhibits

<u>PGE Exhibit</u>	<u>Description</u>
301	Summary of A&G Costs
302	PGE Insurance Policies List
303C	Summary of Insurance Costs
304	Direct and Allocated IT Charges