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## I. Introduction

1 **Q. Please state your name and position with PGE.**

2 A. My name is James J. Piro. I am the President and Chief Executive Officer for PGE. My  
3 qualifications appear at the end of this testimony.

4 **Q. What is the purpose of your testimony and how is it organized?**

5 A. The purpose of my testimony is to:

- 6
- 7 • Explain the context and objectives for this filing (section II);
  - 8 • Discuss how our proposals will help PGE meet these objectives, provide financial  
9 stability to allow us to make cost effective investments in Oregon's Energy Future  
10 that benefit our customers (section III);
  - 11 • Explain PGE's focus on efficiency and cost effectiveness, the measures we have  
12 already taken to reduce the amount of the proposed rate increase, and explain the  
13 need for the proposed increase now (section IV); and
  - 14 • Identify important policy issues and explain our policy recommendations  
15 (section V).

My testimony is organized according to these objectives.

## II. Context and Objectives

1 **Q. Please summarize this filing's proposed rate impact and its major components.**

2 A. With this filing PGE requests an overall price adjustment of 7.4% effective January 1, 2011.  
3 \$72 million of the approximate \$125 million increase reflects costs related to capital  
4 investments needed for PGE to fulfill public mandates and to provide safe, reliable energy  
5 that meets our customers' expectations. This includes \$29 million for phase 3 of the Biglow  
6 Canyon Wind Farm, without which the remaining revenue requirement would yield an  
7 overall price adjustment of 5.7%. The balance of the increase reflects O&M costs PGE will  
8 incur to support continued and future excellence in customer service, maintain safe, reliable,  
9 efficient and effective operations, and respond to regulatory requirements and other external  
10 cost drivers such as pension plan funding and health insurance. This case is not about  
11 adding more employees. Overall, we project 82.7 fewer full-time-equivalent (FTE) staff  
12 positions in 2011 relative to 2008 actual FTE totals. Even after adjusting for Advanced  
13 Metering Infrastructure (AMI), PGE's full-time equivalents (FTEs) total is only 33.5 greater  
14 in 2011 than 2008, an annual increase of less than 0.5%. The requested change also reflects  
15 a two percent reduction in revenue requirement due to projected power costs. As this docket  
16 proceeds, we will update our power cost projections.

17 **Q. Are there other important considerations that have impacted this filing?**

18 A. Yes. The current economy and its impact on retail loads is also an important driver of this  
19 rate request. If demand for electricity had reached the level projected for the 2009 test year  
20 in PGE's most recent general rate case (UE 197), and then PGE experienced a one percent  
21 annual growth rate for residential and commercial customers, we would have approximately  
22 \$54 million in net additional fixed-cost revenues before consideration of the requested

1 increase in this proceeding. This would have reduced the portion of the increase needed for  
2 O&M in the case from 5.15% to about 2.0%, and the overall rate adjustment in this case  
3 from 7.4% to 4.2%. The present recession has had a significant impact on PGE's revenues  
4 without a corresponding reduction in essential system operating costs.

5 As CEO, I understand that our customers do not want to see the price of electricity  
6 increase. However, I also understand that we must have a financially healthy utility to  
7 continue to meet the expectations of our customers, investors, and the communities we  
8 serve. As you will read in later testimony, we have worked hard to reduce expenses in 2009  
9 and 2010 to manage our operations within available revenues and even with these reductions  
10 our earned ROE is less than the allowed ROE. However, the measures we've taken are not  
11 sustainable over time without an unacceptable impact on service quality. Further, the  
12 deterioration of our financial soundness would ultimately be detrimental to the service our  
13 customers expect, and the long-term reliability and cost of electricity. These factors, in  
14 combination with the need for continued investment in our system, drive the need for PGE  
15 to submit a general rate case at this time.

16 **Q. What do PGE customers expect of their electric utility?**

17 A. Our customers expect high system reliability and power quality. This is true for residential,  
18 commercial, and industrial customers alike. While in the past residential customers may  
19 have thought of reliability as being primarily a matter of whether the lights go on when they  
20 flip the switch, in today's world the interests of residential customers have begun to  
21 converge with those of large industrial customers who could lose thousands of dollars from  
22 a momentary power fluctuation or surge.

1 Our customers expect excellent service. Whether they want their power restored after a  
2 storm, need to conduct a business transaction, want help figuring out how to be more energy  
3 efficient, or simply want to ask a question, our customers expect us to respond promptly,  
4 professionally, substantively, thoroughly and courteously. They also expect us to offer  
5 multiple alternatives to obtain service, such as electronically or in-person, from one of our  
6 customer service representatives. Further, they expect the service to be seamless and of  
7 equal quality regardless of what avenue they use to obtain it.

8 Some of our business customers have moved into our service territory because of the  
9 level of service we provide. We need to maintain our service quality to retain these  
10 customers and to attract the next generation of new businesses and the jobs they create. This  
11 rate request reflects the necessary investments in distribution, transmission, generating  
12 resources, infrastructure and O&M to continue to offer good customer service and safe,  
13 reliable and responsibly generated energy for our customers.

14 **Q. What else do customers expect from PGE?**

15 A. Our customers expect us to produce and distribute power safely and without harming their  
16 quality of life. This is clearly reflected in the regulatory standards public policymakers have  
17 adopted to govern our business, and it is reflected in ongoing public policy debates at local,  
18 state and national levels. Reduced footprints for carbon and other emissions have  
19 increasingly become a national priority. Concern about the environmental impact of power  
20 generation is especially relevant here in Oregon and the Northwest. Many residents have  
21 made a specific choice to live here based on the region's natural beauty and progressive  
22 reputation for environmental stewardship. This is reflected in the high rate of participation  
23 in PGE's green power programs (now nearly ten percent, or more than 70,000 customers),

1 which has made PGE the number one utility in the nation for the amount of renewable  
2 energy sold to residential customers for each of the past four years. It is also reflected in  
3 concern over the impact of our hydro operations on fish runs, interest in emissions  
4 reductions at our Boardman plant, and more generally in the focus of public policy  
5 discussions surrounding energy issues and energy production in Oregon. Renewable  
6 resources, carbon reduction, energy efficiency, and other issues surrounding sustainability,  
7 livable communities, and environmental responsibility are all factors that our customers  
8 expect us to consider as we make decisions about resource generation and the management  
9 of our transmission and distribution systems.

10 **Q. Do customers expect PGE to be a responsible corporate citizen?**

11 A. Yes. Our customers expect us to be a good corporate citizen and to conduct our business  
12 with integrity. We share this expectation internally, and diligently comply with rules and  
13 regulations enforced by the Federal Energy Regulatory Commission (FERC), the Western  
14 Electricity Coordinating Council, the North American Electric Reliability Corporation, and  
15 the Securities and Exchange Commission as well as other state and federal agencies such as  
16 the Department of Environmental Quality, the Environmental Protection Agency, and the  
17 Oregon Occupational Safety and Health Division (Oregon OSHA). Whether specific to our  
18 industry or to publicly-traded corporations generally, regulatory requirements have  
19 increased substantially in recent years in the form of more aggressive compliance standards  
20 and reporting requirements that result in increased compliance costs along with significant  
21 fines or penalties for non-compliance.

22 **Q. How significant is the federal regulation of PGE's business?**

1 A. FERC regulation has a broad impact on how PGE conducts its business. PGE is responsible  
2 for adhering to the tariffs FERC has approved for PGE's sale of electric transmission, gas  
3 transportation, and wholesale electric power. FERC also imposes detailed accounting  
4 requirements, and requires PGE to submit financial and performance data to FERC on an  
5 annual and quarterly basis. FERC regulates PGE's participation in wholesale energy  
6 markets, imposing Market Behavior Rules and policing for energy market manipulation.  
7 FERC has detailed records retention requirements that apply to both paper and electronic  
8 records, and FERC retains the authority to inspect PGE's books and records. FERC also  
9 regulates the reliability of the electric system, and FERC's mandatory reliability standards  
10 affect many departments within PGE. This includes newly-effective regulatory  
11 requirements around cyber security and critical infrastructure. FERC also licenses and  
12 inspects PGE's hydroelectric projects. Finally, FERC has adopted Standards of Conduct  
13 that prevent PGE's transmission function from giving preferential treatment to our power  
14 marketing function.

15 **Q. Do PGE customers also expect PGE to be efficient and cost effective in all aspects of**  
16 **the business?**

17 A. Absolutely. No one, including me, wants to pay more than necessary for electricity and our  
18 customers expect us to be able to demonstrate that we are efficient and cost-effective in our  
19 operations and services. Studies that we present later demonstrate that PGE's cost  
20 performance is in-line with the industry, but we are making significant efforts to perform  
21 better. Details of our efforts in this area are included in later testimony dedicated to this  
22 topic (PGE Exhibit 200).

23 **Q. How does PGE know what its customers expect?**

1 A. First and foremost, we operate with very specific and stringent requirements such as  
2 Oregon's renewable energy standard as well as service quality standards that are based on  
3 our regulators' determination of what our customers want and need; SAIDI (average outage  
4 duration per customer), SAIFI (average outage frequency per customer), and MAIFI  
5 (momentary outage frequency per customer) standards are set for us and we must meet them  
6 or face penalties from regulators as well as likely reductions in customer satisfaction ratings.

7 Above and beyond these explicit rules delineating what our customers expect, however,  
8 we also communicate directly with our 816,000 customers on a monthly basis and we hear  
9 back from them frequently. Our customer service representatives handled nearly 1.7 million  
10 calls in 2009. Including contacts where our interactive voice response system was able to  
11 provide customers with the information they needed or to complete their transaction to their  
12 satisfaction, our call center took more than 3 million phone calls over the course of the year.  
13 While many of these contacts involve only basic business transactions, our customers also  
14 connect with us specifically to register their opinions on issues relating to PGE's operations  
15 and activities, or they take the opportunity to comment on these issues when they call us for  
16 other reasons.

17 We also perform quarterly surveys of representative samples of our customers to gauge  
18 their level of satisfaction with PGE's service and how they rate us on specific performance  
19 measures such as reliability and customer service. The results are compared with those of  
20 other electric utilities, and show that PGE is consistently among the top quartile regionally  
21 and nationally for customer satisfaction. As noted elsewhere in this testimony, we achieve  
22 these results while remaining well within industry norms for efficient and effective use of  
23 our resources.

**III. This Request Will Help PGE to Satisfy these Important Customer Objectives**

1 **Q. How did your preparation of this rate case reflect these customer expectations and**  
2 **concerns?**

3 A. In preparing this rate case, I directed PGE's managers and officers to develop and review  
4 their budgets, which form the basis for this rate case, with efficiency and cost effectiveness  
5 in mind and with a rigorous focus on serving the needs and priorities of our customers.  
6 Managers were told to submit 2010 budgets that were no larger in aggregate (excluding  
7 labor escalation and health care increases) than their 2009 budgets (after those 2009 budgets  
8 were cut to reflect financial constraints) and to document all changes between 2010 and  
9 2011 with full accounting and explanation for why the change is needed. However, our  
10 ability to satisfy our customers' expectations in terms of clearly delineated standards for  
11 service quality, reliability, regulatory compliance, and safety is dependent on the outcome of  
12 this rate case. In this manner, we believe our request appropriately balances these  
13 expectations and costs. We acknowledge that there are other alternatives. Higher quality  
14 service levels could be achieved at greater cost; reduced service quality would permit cost  
15 reductions but not without compromising reliability and safety. We listen to our customers,  
16 and we believe that they want us to continue to offer the same level of service they have  
17 come to expect.

18 **Q. How does this filing reflect PGE's customers' priorities?**

19 A. Our filing reflects our customers' priorities and expectations for us as their electric utility by  
20 centering on effective and efficient delivery of safe and reliable electric service while  
21 seeking to fulfill broader mandates for a changing resource mix, with a smaller  
22 environmental footprint, and compliance with all applicable regulations and standards.

1 PGE has prepared a rate case based on adjustments for several specific investments and  
2 expense categories – including costs required for the Biglow Canyon Wind Farm’s third  
3 phase, costs associated with new emissions control equipment for the Boardman Power  
4 Plant, all relicensing costs for our Clackamas River hydro projects, increased capital costs,  
5 and essential operations and maintenance costs (especially costs associated with new  
6 information technology systems, our generating plants, and regulatory compliance).

7 Many of these investments and business expenses stem from public mandates such as  
8 the Regional Haze Rule, the Oregon Renewable Energy (Portfolio) Standard, FERC  
9 licensing requirements, and other regulatory requirements that PGE cannot avoid or delay.  
10 They also represent organizational and support mechanisms the company must develop and  
11 use to continue meeting our customers’ priorities and expectations for service and quality.  
12 We need to recover these costs of doing business in our prices. We also seek action on  
13 several discrete policy issues, described in detail later in this testimony.

14 **Q. Are Information Technology costs a significant factor in this rate case?**

15 A. Yes. PGE currently operates a large number of legacy IT systems developed and deployed  
16 for different business units over the course of the past 30 years. Many of these systems are  
17 nearing obsolescence, and are no longer supported or will soon be unsupported by the  
18 vendors that supplied them. At the same time, technological advances and the expectations  
19 and practices of both our industry and our customers have created a need for new  
20 functionality, services and interfaces – while maintaining IT security. This has created  
21 circumstances where PGE must incur increasing costs to maintain and expand existing  
22 systems when better systems that are specifically tailored to meet the needs of our industry

1 are now readily available in the marketplace and can be deployed throughout the enterprise  
2 to improve efficiency and effective management of data and information.

3 In response, PGE has initiated a long-term strategy to upgrade its IT systems, called the  
4 2020 Vision strategy. This strategy aims to dramatically reduce the number of systems we  
5 operate, improving our processes, security and cost-effectiveness for both employees and  
6 customers. This initiative will be completed over the course of the next ten years. The 2020  
7 Vision strategy is discussed fully in PGE Exhibit 600.

8 **Q. Will the result of this rate request affect PGE's ability to access capital to fund**  
9 **investments in the years immediately following the 2011 test year?**

10 A. Yes. While current revenue needs alone would justify our request, another key  
11 consideration in this rate case is the need for extensive capital investments during the several  
12 years immediately following the test year, as envisioned in our Integrated Resource Plan  
13 (IRP) that is currently under review by the Commission. These include: (1) acquisition of  
14 new renewables for PGE to comply with the state's renewable portfolio standard  
15 requirements in 2015, (2) the Cascade Crossing transmission line to reduce congestion and  
16 provide pathways for new power sources, (3) additional gas-fired resources to help meet  
17 growing loads and backfill expiring long-term hydro contracts, (4) back up of intermittent  
18 wind and solar power, and (5) new smart grid infrastructure to support demand side  
19 resources and acquisition of additional energy efficiency.

20 Naturally, these specific investments are contingent on Commission acknowledgement  
21 of our IRP and the subsequent results of bidding processes with independent review.  
22 However, significant capital expenditures will be required in the near future under any  
23 scenario due to load growth projections and the requirements of changing infrastructure

1 needed to serve our customers. We have a responsibility to position PGE so that it can  
2 minimize the cost of capital to make those investments for customers.

3 **Q. Why should the need for future capital investments be considered in the 2011 rate case**  
4 **when they're not part of the 2011 test year?**

5 A. In short, the 2011 rate case will set the parameters for current and prospective debt and  
6 equity investors evaluating PGE. If investors believe that the utility is financially sound and  
7 positioned with a fair opportunity to recover its costs, as evidenced by strong investment  
8 grade bond ratings and other market indicators, we will be able to finance our necessary  
9 future capital investments at a lower long-term cost to customers.

10 However, the company's current price structure does not support a reasonable rate of  
11 return for investors in PGE bonds and equity. Without the opportunity to earn a fair rate of  
12 return, our access to capital (on competitive and reasonable terms) to build or purchase  
13 under contract the necessary infrastructure may be jeopardized. We need to demonstrate to  
14 investors, in advance of many of the major capital investments called for in our resource  
15 plan, that PGE can be expected to recover both the cost of these major investments and the  
16 cost of ongoing operations and maintenance to operate the system. Today investors have  
17 many choices, both within and outside the utility industry. If PGE cannot earn a fair return  
18 then investors will invest elsewhere. Further discussion of these issues is included in later  
19 testimony on PGE's expected cost of capital (PGE Exhibit 1100).

#### **IV. Efficiency and Cost Effectiveness, Rate Mitigation, and the Risks of Delay**

20 **Q. Isn't cost control also important to both customers and investors in considering the**  
21 **value they can expect to receive from PGE?**

1 A. Yes. As noted above, PGE customers and investors expect the utility to be efficient and cost  
2 effective in its operations.

3 It is always a priority for PGE to ensure that the expenditures we make on our  
4 customers' behalf are prudent and cost effective. However, economic conditions over the  
5 past two years in Oregon have made it even more imperative for PGE to scrutinize its  
6 operations and the components of this rate case to assure our customers and our regulators  
7 that the costs we seek to recover are reasonable. Our customers, investors and regulators  
8 need to be confident that we have systems and controls in place to maintain a true culture of  
9 cost efficiency.

10 FERC Form 1 data and independent analysis confirm that PGE's costs are well within  
11 the norm for comparable utilities in our region. This is discussed further in PGE Exhibit  
12 200.

13 **Q. Are efficiency and cost effectiveness issues in which you have taken a personal interest?**

14 A. Yes. After my appointment as President and CEO in January 2009, I worked with PGE  
15 officers and managers to begin a company-wide program review and process improvement  
16 initiative aimed at finding ways for PGE to further improve cost efficiency in its operations.  
17 We have also presented testimony (PGE Exhibit 200) in this rate case to further discuss  
18 PGE's efficiency and cost effectiveness efforts.

19 **Q. Could you summarize that testimony?**

20 A. Yes. The testimony on efficiency and cost effectiveness illustrates three essential points:

- 21 • As previously noted, PGE's O&M costs are well within the norm for similar  
22 utilities. Our costs are typically in line with our peers as demonstrated by data

1 collected from FERC Form 1 filings and confirmed by a recent utility  
2 benchmarking study performed by the Pacific Economics Group (PEG).

- 3 • These results do not reflect a sudden change of course on cost control. While I  
4 have placed increased emphasis on efficiency and cost effectiveness during the  
5 past year, PGE already has a history of cost consciousness and comprehensive  
6 initiatives to reduce and manage costs through system efficiency upgrades,  
7 process improvement, leveraging technology, and other efficiency programs.
- 8 • That said, no large organization can ever afford to take efficiency for granted. We  
9 listened to stakeholder concerns as expressed in testimony filed by interveners in  
10 our 2009 rate case (UE 197), and we've responded to the realities of Oregon's  
11 economy. The result is a company-wide program to further streamline our  
12 operations and capture additional cost savings without compromising our level of  
13 service, safety and reliability.

14 **Q. Has the company already taken measures in this request to reduce the price impact on**  
15 **our customers?**

16 A. Yes. We have taken two major, concrete steps to reduce the price increase. First, our ROE  
17 testimony in this rate case includes an independent evaluation showing that PGE would be  
18 justified in seeking an allowed ROE of 11%, based on the elements included in this case, to  
19 assure an opportunity for returns comparable to those offered by our peer utilities. However,  
20 we are requesting a 10.5% ROE instead, because we recognize that in the current economic  
21 climate the lesser allowed rate of return better reflects the needs of our customers, but still  
22 provides a fair investment opportunity to our shareholders. This reduced our request by \$13  
23 million.

1           Second, for the same reason, PGE has chosen not to request recovery of any of the cost  
2 of our officer incentive plan and only 50% of our employee incentive programs in this rate  
3 case. Here again, we believe the full costs of these incentive programs are entirely justified  
4 as part of a competitive compensation package to attract and retain an outstanding workforce  
5 that will produce excellent results and provide outstanding customer service. Our customers  
6 are ultimately the beneficiaries of these incentives through continuous quality  
7 improvements. Furthermore, long-term curtailment of these programs could have very real  
8 negative consequences for customers by reducing PGE's ability to compete for qualified and  
9 dedicated employees. Yet to mitigate the proposed price increase we have not requested full  
10 recovery for the prudent cost of these programs. This reduces our request by approximately  
11 \$10 million.

12 **Q. What would be the consequences of delaying this rate case?**

13 A. In a sense, we had a preview of the consequences in 2009. In that year, we were forced to  
14 make temporary O&M budget cuts that are not sustainable over the long term if we are to  
15 meet regulatory standards and our customers' expectations. An example of this is our tree  
16 trimming program, which we cut by \$1.3 million to the level approved in our last rate case.  
17 However, we cannot continue the program at that level without undermining our ability to  
18 meet reliability and safety standards. Inadequate cost recovery and volatile earnings in 2009  
19 also contributed to circumstances under which the company was obliged to issue equity at a  
20 price significantly below the book value in order to finance essential infrastructure  
21 investments such as Biglow Canyon phase 2.

22           These developments – unsustainable cost cuts and issuing equity at prices below book  
23 value – undermine our long-term financial stability and soundness that provides a necessary

1 platform to offer safe, reliable energy that meets our customers' expectations and to have  
2 access to capital markets at fair and competitive rates.

3 **Q. Is the quality of PGE's operations and service important to Oregon's economic future?**

4 A. Yes. The present economic downturn will not last forever, and the region's electric utilities  
5 must be positioned to respond to the growing needs of a recovering economy as it occurs.  
6 PGE is an active partner in Oregon's economic development efforts, helping to attract,  
7 retain, and grow businesses that constitute the engine of our economy, including high tech  
8 companies, green businesses, and manufacturing concerns. The quality and reliability of  
9 electric service is a key factor of many of these employers in their decisions to locate in our  
10 service territory. PGE works closely with the state, local governments and the broader  
11 business community to help prospective customers understand what we can offer to help  
12 them succeed. We have an obligation to our customers and the communities we serve to  
13 protect the strength of our system and our business as an essential component of our state's  
14 economic infrastructure, and we believe this rate case is a key requirement in that effort.

## V. Policy Issues

1 **Q. What are the policy objectives to be resolved in this rate case?**

2 A. In addition to the infrastructure investments and other cost components previously  
3 addressed, we have several specific policy objectives in this rate case that are addressed in  
4 testimony because they require action by the Commission. PGE seeks approval of the  
5 following:

- 6 • A pension automatic adjustment clause tariff to forecast pension expense, track  
7 and amortize differences between expected and actual pension expense, and  
8 recover financing costs associated with net pension-related cash flows (PGE  
9 Exhibit 500).
- 10 • A balancing account for tracking and recovery of costs associated with future  
11 major storm damage. PGE formerly purchased insurance coverage for major  
12 storm damage. We can no longer obtain storm insurance at a reasonable cost, so  
13 we propose an accounting Order to establish a storm damage balancing account to  
14 track differences between an annual accrual of \$3.5 million and actual storm  
15 damage costs for level 3 storms (PGE Exhibit 800).
- 16 • Continuation of the Power Cost Adjustment Mechanism (PCAM) and Automatic  
17 Update Tariff (AUT), with alteration of the PCAM to make the deadbands  
18 symmetrical and narrow their overall size to \$10 million. PGE also proposes to  
19 include collateral costs associated with power supply operations as net variable  
20 power costs for ratemaking purposes and include them in the PCAM/AUT going  
21 forward. We believe appropriate alterations of the PCAM/AUT along these lines

1 are essential in order to provide cost recovery structures comparable to those  
2 prevalent throughout our industry (PGE Exhibit 400).

- 3 • An automatic adjustment tariff related to recovery of our remaining investment in  
4 the Boardman Power Plant to align recovery with a Commission decision to alter  
5 the operating life of the facility (PGE Exhibit 300).
- 6 • An accounting Order that allows PGE to track differences between the  
7 environmental mitigation and remediation costs as projected in this case for  
8 certain established projects and the corresponding actual costs (PGE Exhibit 700).
- 9 • An accounting Order that allows PGE to accrue long-term debt costs on study  
10 costs of self-build options for IRP/RFP purposes. In addition, we request that the  
11 Commission allow PGE to create a future regulatory asset if we select an  
12 alternative project to a self-build option (PGE Exhibit 300).
- 13 • An accounting Order that allows PGE to smooth the impact of O&M costs related  
14 to the Information Technology (IT) system replacement program (2020 Vision)  
15 (PGE Exhibit 600).
- 16 • Continuation of the decoupling mechanism approved by the Commission as a  
17 two-year pilot in UE 197 (PGE Exhibit 1500).

18 We also provide testimony describing \$16.5 million in savings associated with  
19 automated metering infrastructure (smart meters), and, as noted above, dedicated testimony  
20 to address PGE's commitment to cost efficient operations and management. These  
21 testimonies help provide important context for the Commission's review of the policy  
22 decisions and objectives described in this filing.

## VI. Conclusion

1 **Q. Why is PGE filing this rate case at this time?**

2 A. This rate case filing is about what kind of utility PGE will be tomorrow. It is about  
3 providing PGE the appropriate resources we need to offer our customers the service quality  
4 and reliability they expect in the future. It is about establishing a foundation for making  
5 future investments that will allow us to cost effectively meet our customers future energy  
6 needs in a reliable, safe manner within changing environmental standards. This rate request  
7 demonstrates our commitment to do all these things, consistent with our ongoing culture of  
8 efficiency and cost effective operations, while providing appropriate levels of service and  
9 value to customers.

## VII. Overview of PGE's Testimony

1 **Q. In addition to this testimony, what other testimony is presented in this case?**

2 A. PGE is presenting the following direct testimony:

3 **Exhibit 200** summarizes PGE's cost efficiency efforts and provides the results of  
4 studies performed to evaluate PGE's costs compared to other utilities. In addition, the  
5 testimony describes PGE's proposed changes to the structure of the PCAM.

6 **Exhibit 300** summarizes PGE's requested revenue requirement for the 2011 test year.  
7 In addition, the testimony provides PGE's estimate of savings associated with AMI during  
8 the 2011 test year, and provides the basis for PGE's request for an accounting Order to  
9 accrue long-term debt costs on preliminary study costs related to IRP projects. Finally, the  
10 testimony summarizes the estimated impact of Biglow Canyon phase 3 in the 2011 test year.

11 **Exhibit 400** supports PGE's initial estimate of Net Variable Power Costs (NVPC) for  
12 the 2011 test year, and presents certain changes to the Monet model to forecast costs. In  
13 addition, the testimony, along with Exhibit 1100 below, describes PGE's request to treat  
14 collateral costs related to power operations as NVPC for ratemaking purposes.

15 **Exhibit 500** describes PGE's compensation philosophy and presents the projected 2011  
16 test year costs for wages/salaries, benefits, and incentive compensation. The testimony also  
17 describes changes to certain compensation programs since UE 197. Finally, the testimony  
18 describes the current circumstances PGE faces with regard to pension costs and funding and  
19 proposes an automatic adjustment clause tariff to track and update actual pension related  
20 costs.

21 **Exhibit 600** describes the current Information Technology (IT) environment and  
22 provides detail on the drivers of cost changes in IT. In addition, the testimony describes the

1 cyber security project and the 2020 Vision initiative, in which we seek to replace and  
2 consolidate the significant number of software packages PGE uses to perform essential  
3 work. Finally, the testimony provides the basis for requesting an accounting Order from the  
4 Commission to help smooth the impact of development O&M on customer prices.

5 **Exhibit 700** summarizes PGE's resource base and describes the fixed O&M and capital  
6 costs associated with PGE's plant and power operations areas. In addition, the testimony  
7 supports PGE's efforts in the area of environmental mitigation and hydro relicensing.  
8 Regarding the former, the testimony provides the basis for requesting an accounting Order  
9 to track differences between forecast and actual environmental mitigation projects.

10 **Exhibit 800** supports PGE's efforts in the delivery function, explaining PGE's test year  
11 forecast of T&D O&M non-labor costs and capital expenditures. In addition, the testimony  
12 describes and supports the need for a major storm damage balancing account and accrual  
13 mechanism, replacing PGE's previous reliance on storm insurance

14 **Exhibit 900** supports PGE's customer service activities for the 2011 test year, including  
15 O&M non-labor costs and PGE's estimated uncollectible rate for the 2011 test year.

16 **Exhibit 1000** describes cost increases in PGE's corporate support functions, or A&G,  
17 including insurance, R&D, and the WECC membership, as well as some environmental  
18 costs not supported in PGE Exhibit 700.

19 **Exhibit 1100** supports PGE's forecasted cost of capital for 2011. It discusses PGE's  
20 cost of long-term debt and risk, and supports PGE's proposed capital structure.

21 **Exhibit 1200** addresses PGE's equity costs, applying the Discounted Cash Flow and  
22 Risk Premium models to support an 11.00% return on equity. However, as I noted earlier, I  
23 have directed management to use a 10.50% ROE for filing this case.

1           **Exhibit 1300** provides testimony explaining why the current structure of PGE’s PCAM  
2 differs from mainstream regulatory practices and places PGE at a disadvantage, relative to  
3 our competitors, in accessing capital at reasonable rates. The testimony also provides the  
4 basis for an appropriate PCAM framework supporting recovery of prudently incurred fuel  
5 and purchase power costs.

6           **Exhibit 1400** explains PGE’s load forecast. PGE forecasts that 2011 total deliveries to  
7 customers will be essentially flat relative to the 2009 weather-adjusted level.

8           **Exhibit 1500** presents PGE’s proposed price changes, proposed tariff changes to  
9 Schedule 125 (Annual Power Cost Update) and Schedule 126 (Power Cost Adjustment  
10 Mechanism) consistent with prior testimony. In addition, the testimony supports an updated  
11 marginal cost study, ratespread, and rate design that serve as the basis for the proposed  
12 prices. The testimony also provides support for the continuation of PGE’s decoupling  
13 mechanism. Finally, the testimony presents three new tariffs: 1) Schedule 141 related to  
14 pension recovery, 2) Schedule 145 related to Boardman operating life, and 3) Schedule 85, a  
15 new schedule for large commercial customers between 201 kW and 1000 kW.

**VIII. Qualifications**

1 **Q. Mr. Piro, please describe your educational background and experience.**

2 A. My name is James J. Piro. I received a Bachelor of Science degree from Oregon State  
3 University in Civil Engineering in 1974 with an emphasis in Structural Engineering. In  
4 addition, I have taken postgraduate courses in engineering, accounting, economics, and rate  
5 making. I am a registered Professional Engineer in Civil Engineering in the State of  
6 California (Registration No. 28174). I joined Portland General Electric in 1980 and have  
7 held various positions in Generation Engineering, Economic Regulation, Financial Analysis  
8 and Forecasting, Power Contracts, Economic Analysis, Planning Support, Analysis and  
9 Forecasting, and Business Development. I was elected Vice President of Business  
10 Development in 1998 and then became Chief Financial Officer and Treasurer on  
11 November 1, 2000. I was then named Senior Vice President, Finance, Chief Financial  
12 Officer and Treasurer on May 1, 2001, and then became Executive Vice President, Finance,  
13 Chief Financial Officer and Treasurer effective July 25, 2002. I entered my current position  
14 as President and Chief Executive Officer effective January 1, 2009.

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

16 A. Yes.