

BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON

UE 394  
Compensation

PORTLAND GENERAL ELECTRIC COMPANY

Direct Testimony of

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*July 9, 2021*

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## I. Introduction

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

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

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

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

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

12 A. Our testimony presents and explains PGE's key talent management challenges. In particular,  
13 we describe how PGE's compensation philosophy is designed to address compensation  
14 challenges, and we present total compensation costs for the 2022 test year. Total  
15 compensation costs include total labor costs, incentive pay, and employee benefits.

16 **Q. What are PGE's expected total compensation costs and cost drivers in 2022?**

17 A. PGE forecasts approximately \$470.5 million in total compensation costs for 2022. Table 1  
18 below summarizes the cost and compensation components of the 2020 actuals and 2022 test  
19 year.

**Table 1**  
**Estimated Total Compensation Costs (\$Millions)**

| <b>Component</b>           | <b>2020<br/>Actuals</b> | <b>2022<br/>Test Year</b> | <b>2020-2022<br/>Delta</b> |
|----------------------------|-------------------------|---------------------------|----------------------------|
| Total Labor                | \$362.5                 | \$351.7                   | (\$10.8)                   |
| Incentives                 | \$29.1                  | \$18.6                    | (\$10.6)                   |
| Benefits                   | \$99.3                  | \$103.6                   | \$4.3                      |
| <b>Total Compensation*</b> | <b>\$491.0</b>          | <b>\$473.9</b>            | <b>(\$17.1)</b>            |

*\* Numbers may not sum due to rounding.*

1           The net difference between 2020 actuals and forecast 2022 test year costs is a decrease  
2           of \$17.1 million. Looking at the component parts, total aggregate labor costs decrease by  
3           \$10.8 million, or 1.5% annually, due to a 40% annual decrease in contract labor and a 16%  
4           annual decrease to overtime, which is partially offset by increases from wage escalation and  
5           PGE straight-time labor requirements. We further explain the changes in more detail in  
6           Section III below.

7           A primary driver of benefits costs from 2020 to 2022 is an increase in health and wellness  
8           costs (\$5.8 million) and post retirement costs (\$3.0 million). The increases to benefits are  
9           more than fully offset by the decrease in PGE’s total labor costs, as described above, and  
10          PGE’s incentive request, which represents a reduction of approximately \$10.6 million from  
11          2020 actuals. See PGE Exhibit 301 for more detail on PGE’s total compensation costs.

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

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

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

## II. PGE’s Total Compensation Philosophy and its Challenges

1 **Q. Please briefly describe PGE’s philosophy on total compensation.**

2 A. PGE’s philosophy is to provide total compensation sufficient to attract and retain diverse  
3 employees with strong qualifications and skills necessary to provide safe, reliable, affordable,  
4 cleaner, and more secure energy to our customers. PGE’s culture has evolved to one this is  
5 customer focused and results driven. To keep costs reasonable for customers, PGE actively  
6 controls costs by targeting market median conditions for our compensation program. Our  
7 ability to serve our customers and their needs is highly dependent on our ability to attract and  
8 retain a skilled workforce. Remarkably, while, as of April 2021, there is still an  
9 unemployment rate of approximately 6% in Oregon, the utilities industry only represents a  
10 fractional share of the new unemployment claims for 2020 and 2021.<sup>1</sup> Thus, while a segment  
11 of the population remain persistently unemployed, recruiting and retaining the highly skilled  
12 employees needed to effectively and efficiently support PGE’s operations continues to remain  
13 challenging. We discuss this and other challenges in more detail below.

14 **Q. What are the components of PGE’s total compensation?**

15 A. PGE’s compensation components include:

- 16 • Total Labor: PGE designs its non-union and union wages to target the market  
17 median based on company size, geographic market, and job function. Additionally,  
18 PGE uses market-based contract labor, when beneficial from a project-planning  
19 and/or financial-planning perspective.

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<sup>1</sup> Oregon initial claims for unemployment insurance filed by workers in the utilities industry comprise just 0.11% of the total claims filed from January 1, 2020 through May 29, 2021

- 1 • Incentive Pay: PGE designs its incentive pay to attract, retain, and reward  
2 employees for achieving company and individual performance goals that help PGE  
3 achieve its objectives.
- 4 • Benefits: PGE provides market-aligned health and welfare benefits. PGE also  
5 provides a pension and a 401(k) plan for retirement.<sup>2</sup> PGE strives to maintain a  
6 benefits package that supports our employees' wellbeing and balances the features  
7 and costs both among employee groups and against what other employers in our  
8 market provide to their employees.

9 **Q. What are the major challenges for PGE's talent acquisition, compensation, and benefits?**

10 A. PGE continues to face four strategic challenges that affect our workforce and compensation  
11 philosophy:

- 12 1. The need to recruit and retain well-qualified, skilled employees to fill changing and  
13 evolving jobs in a competitive marketplace;
- 14 2. Developing the pipeline of talent to ensure continuity and improvement in the  
15 services we provide through workforce planning;
- 16 3. Ensuring that our workforce reflects the diversity of our service area; and
- 17 4. Managing and controlling our benefit costs while providing benefit packages that  
18 attract and retain well-qualified, skilled employees that PGE needs.

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<sup>2</sup> PGE's pension plan is closed to all new employees. Effective February 1, 2009, new non-bargaining employees were ineligible for the pension plan. Effective January 1, 2012, new bargaining unit employees at Coyote Springs and Port Westward work sites were ineligible for the pension plan. PGE had previously closed the plan to all other new bargaining unit employees effective January 1, 1999.

## A. Talent Acquisition

1 **Q. Please describe the first challenge – hiring and retaining well-qualified, skilled**  
2 **employees in a competitive marketplace.**

3 A. Changes to the external environment (e.g., customer expectations, infrastructure  
4 modernization, energy generation transformation, and enabling technologies) are evolving in  
5 a manner that requires PGE to improve the technical skillsets and versatility of our employees.  
6 Examples of how these skillsets are evolving include:

- 7 • Utilities are implementing new technologies and experiencing fast-paced changes  
8 in methods for reliably operating the electric grid with higher levels of variable  
9 energy resources. These technologies and changes require utility personnel, such  
10 as power plant technicians and substation operators, to possess broader, more  
11 versatile skills.<sup>3</sup> We also have the need for highly niche technical skill sets at an  
12 increasing pace, which can be extremely difficult to recruit.
- 13 • Senior managers have traditionally possessed deep subject matter expertise built  
14 through decades of experience. PGE is increasingly placing a greater emphasis on  
15 candidates with strong managerial abilities along with technical abilities, leading  
16 PGE to compete for such managerial talent with both utility and non-utility  
17 industries.
- 18 • Increasingly complex and integrated systems throughout PGE and increasing need  
19 in the areas of cyber, network, and physical security require highly skilled and  
20 specialized Information Technology (IT) professionals, who are in demand both  
21 within and outside of the utility industry.

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<sup>3</sup> Including advanced technical, mathematical, and mechanical concepts.

1 Our recruiting challenges for these necessary skills continue to be most acute for several  
2 specialties.<sup>4</sup> We have described some similar recruiting challenges in our past rate case  
3 filings, and even with the unemployment rate at a higher level than in years past, the regional  
4 and national demand for highly skilled workers remains high,<sup>5</sup> allowing these workers to be  
5 selective about changing jobs or moving. In particular, for positions such as line workers,<sup>6</sup>  
6 we find that we must more frequently recruit individuals who require relocation.

7 There are also more recent workplace developments that are placing new and additional  
8 strains on PGE's recruitment and retention efforts. Due in part to advances in technology, the  
9 evolution of workplace norms, and in response to the COVID-19 pandemic, more industries  
10 and companies are allowing for employees to work remotely. This has resulted in increased  
11 competition for highly skilled workers as these workers are able to cast a wider net when  
12 exploring and seeking new opportunities. Additionally, due in part to the shift in remote work  
13 along with a number of other factors, labor department data indicates that turnover at a  
14 national level is at its highest level in two decades.<sup>7</sup> In short, it is getting harder for companies  
15 to retain their existing talent.

16 **Q. How does PGE approach this recruiting and retention challenge?**

17 A. We approach this challenge in four ways:

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<sup>4</sup> Specialties include (1) senior managers in all areas, (2) engineering, (3) IT security, development, and project management, (4) senior professionals working with data, (5) energy trading and pricing, and (6) skilled trade positions such as power plant control operators, meter-service technicians, and line workers.

<sup>5</sup> Similar to the initial unemployment claims information cited above for the utilities industry, the share of total Oregon claims from the Information Services, Finance and Insurance, and Management fields collectively represent only 3% of the total claims filed from January 1, 2020 through May 29, 2021.

<sup>6</sup> Tradesperson who constructs and maintains electric transmission and distribution lines.

<sup>7</sup> [Forget Going Back to the Office—People Are Just Quitting Instead - WSJ - https://www.wsj.com/articles/forget-going-back-to-the-office-people-are-just-quitting-instead-11623576602?st=bo0axn75cn7rgyz&reflink=article\\_email\\_share](https://www.wsj.com/articles/forget-going-back-to-the-office-people-are-just-quitting-instead-11623576602?st=bo0axn75cn7rgyz&reflink=article_email_share)

- 1           1. We focus on developing talent internally wherever reasonably possible, for  
2           example, by using cross-training opportunities to temporarily fill some senior level  
3           or other hard-to-fill positions. The cross training provides employees an  
4           opportunity to work in a different position and provides management an  
5           opportunity to evaluate their potential.
- 6           2. We also often find it necessary to externally recruit senior level talent to find  
7           individuals with the qualifications and skills required for the position. Recent  
8           examples include positions in PGE's IT, Finance and Accounting,  
9           Communications, Strategy, and Legal departments.
- 10          3. We engage in proactive hiring strategies, engaging with both active and passive  
11          candidates using major social media job boards such as LinkedIn and Indeed, as  
12          well as niche and diversity recruiting sites, community outreach programs and  
13          partnerships, college campus recruiting, onsite and virtual job fairs, online tools  
14          and research, and data analytics.
- 15          4. With increased competition in the talent marketplace, we are also evaluating open  
16          positions for their suitability to support remote and hybrid work arrangements.  
17          Relocation of talent, as well as H-1b visa sponsorship for highly skilled, but scarce  
18          technical talent, is also a strategy we deploy to secure the talent needed.

19           In addition, PGE uses an employee referral program to increase the number of qualified  
20          applicants for select PGE positions. This program provides incentives to current PGE  
21          employees for referring qualified external candidates for specific in-demand positions.<sup>8</sup>

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<sup>8</sup> Examples of select PGE positions include journeyman lineman (line worker), supervisory control and data acquisition (SCADA) engineers, and IT professionals.

## **B. Development**

1 **Q. Please describe the second challenge – the development pipeline.**

2 A. Ultimately, our challenge of recruiting well-qualified, skilled employees is closely related to  
3 our second challenge (i.e., the need to develop and improve talent to help PGE meet  
4 customers' needs). This is important because a significant portion of our work force is likely  
5 to retire or otherwise leave PGE within the next three to five years. From 2015 to 2020, the  
6 percentage of non-represented PGE employees with over five years of service to the company  
7 has dropped from approximately 73% of PGE's workforce to just over 50%. Additionally,  
8 PGE continues to have approximately one-quarter of the workforce retirement eligible. PGE's  
9 current expected annual turnover rate is approximately 10%, which equates to about 280  
10 vacancies from turnover every year. Of this, approximately 100 annual retirements are  
11 projected per year, through 2025, with retirements at the senior manager and executive level  
12 increasing the need for succession planning. PGE is working to minimize the knowledge and  
13 skill loss that occur when highly skilled and long-tenured employees retire.

14 **Q. What is PGE's approach to the development challenge?**

15 A. PGE supports employee development through educational assistance, employer paid access  
16 to online educational resources (e.g., LinkedIn Learning), mentoring, and cross training  
17 opportunities. We provide an extensive program of formal and informal training classes to  
18 help develop our employees in both subject matter expertise and managerial skills and provide  
19 access to outside training where it is cost-effective. In addition to these programs, PGE uses  
20 the following work force planning strategies:

- 21 • Strengthening and maintaining our summer hire program that helps to develop the  
22 entry-level pipeline of engineering, business, and other professional candidates.

- 1 • Strengthening manager capabilities to identify key growth and development areas  
2 for their employees and supporting that development.
- 3 • Creating positions that allow high potential employees to rotate through key  
4 development roles throughout PGE.
- 5 • Focusing efforts on succession planning, including the identification of tailored  
6 methods to recruit candidates with the particular skill sets to fill succession needs.

### C. Diverse Workforce

7 **Q. Please describe the third challenge – ensuring a diverse workforce.**

8 A. PGE is committed to employing a workforce that is representative of the communities we  
9 serve. A diverse workforce helps PGE recognize and respond more efficiently to the diverse  
10 needs of our communities. Embracing diversity, equity and inclusion is core to PGE’s values.  
11 PGE believes, and this is borne out by research studies, that employee diversity and inclusion  
12 has multiple business benefits, including higher levels of employee engagement, more  
13 effective customer engagement, and improved employee and safety performance. The safety  
14 benefits come from employees’ feeling a greater sense of inclusion, which encourages them  
15 to take more ownership for acting in a safe manner and to speak up when they see something  
16 unsafe.

17 PGE’s service area grows more diverse each year, and while our workforce diversity has  
18 improved, we continue to face challenges in attracting well-qualified and skilled employees  
19 who match the demographics of our communities, particularly in senior-level management  
20 and the trades.<sup>9</sup> In our efforts to attract a diverse workforce, we experience heightened

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<sup>9</sup> Trades positions include skilled labor jobs such as lineman and wireman, which require specific and specialized training.

1 competition because all industries in our service area are also striving to improve the diversity  
2 of their respective workforces.

3 **Q. What is PGE’s approach to its diversity challenge?**

4 A. PGE first works to create compelling compensation programs and a work culture that attracts  
5 talent across the demographic spectrum. Beyond ensuring competitive compensation design,  
6 attracting and retaining a diverse group of employees must be supported by creating an  
7 inclusive work environment. Potential and current employees look for concrete visible  
8 examples of our continuing commitment to diversity, equity and inclusion. In 2020 and 2021,  
9 these examples include:

- 10 • Identification of five commitment areas and corresponding actions to move PGE  
11 forward in our journey toward racial equity through hosting nine all company  
12 Racial Equity Listening Sessions with over 130 employee participants, in addition  
13 to over 30 officer-led sessions with over 400 employee participants;
- 14 • Hosting unconscious bias training for employees, learning tools and techniques to  
15 create a more inclusive workplace culture;
- 16 • Launch of leadership development programs for high potential women and Black,  
17 Indigenous, and people of color;
- 18 • Earning the Best Place to Work for LGBTQ<sup>10</sup> Equality by the Human Rights  
19 Campaign Foundation for the seventh consecutive year; and
- 20 • Inclusion in the Bloomberg Gender-Equality Index for the second consecutive year.

21 PGE is also working to build a more diverse talent pipeline through developing  
22 relationships with educational, workforce, and industry stakeholders. For example, PGE has

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<sup>10</sup> Lesbian, gay, bisexual, transgender, and queer or questioning.

1 collaborated with the Emerging Leaders Internship (ELI) program to expand the diversity pool  
2 of our summer hire program, and we are placing a greater emphasis and focus on diversity  
3 with the Multiple Engineering Cooperative Program, the Civil Engineering Cooperative  
4 Program, and our Pre-Apprentice Program. Internships are one entry point to PGE and by  
5 focusing on the diversity of this and similar entry-points, PGE is better able to develop a  
6 workforce that is representative of the communities we serve. We found internships to be  
7 successful in 2020 and we plan to increase our efforts in targeting positions for internships  
8 with ELI in 2021 and 2022. We're also developing our workforce to meet ongoing and  
9 changing business needs through strategic activities that include career pathing, rotation  
10 programs, strategic staffing models, upskilling, and research and development.

#### **D. Health Care**

11 **Q. Please describe the fourth challenge – health care costs.**

12 A. Health care benefits have traditionally been a key element of the total compensation program  
13 PGE uses to attract well-qualified and skilled employees. While we are seeing a more  
14 moderate increase to health care costs as compared to recent history,<sup>11</sup> on average, health care  
15 costs continue to rise faster than overall wages.

16 **Q. How has PGE addressed the overall pressure on health care costs?**

17 A. PGE has taken an active approach to managing the upward pressure on health care costs. By  
18 shifting the focus away from simply managing health care expenses to increasing employee  
19 ownership of total wellness, PGE is improving the balance between cost and risk for both PGE  
20 and employees, positioning PGE to attract employees in a cost-effective manner for  
21 customers. This shift in focus includes the movement of all non-bargaining employees into

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<sup>11</sup> This is at least in part attributable to the impacts of COVID-19 in 2020.

1 Health Savings Account based health plans and the adoption of a company-wide wellness  
2 platform that engages and incentivizes healthy behaviors. We discuss these and other changes  
3 in more detail in Section V below.

### **III. Total Labor Requirements**

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 meet  
3 PGE’s requirements of delivering safe, reliable, and responsibly generated energy to  
4 customers. This includes both regular and temporary PGE employees, along with contract  
5 employees.

6 **Q. Please explain how PGE has adjusted its classification of labor costs since the last general  
7 rate case.**

8 A. To provide a more accurate reflection of our total labor and to better align with how labor is  
9 viewed, planned for, and controlled internally, we define total labor as both PGE labor and  
10 contract labor. Taking this view helps ensure the right talent, in the right roles at the right  
11 time.

12 **Q. Are any of these cost categories new to PGE?**

13 A. No. Fundamentally, nothing in PGE’s cost structure has changed. These categories of costs  
14 (as defined by “cost element” within PGE’s accounting system) are generally the same as they  
15 were in our last general rate case. We are only modifying how we classify labor versus non-  
16 labor costs, within a general rate case, to provide a more consistent and accurate analysis of  
17 PGE’s true historical and forecasted labor requirements. In short, we have now moved non-  
18 PGE (i.e., contract) labor into the labor classification.

#### **A. Labor Budgeting**

19 **Q. Will you be discussing PGE’s full-time equivalent employee (FTE) requirements?**

20 A. No. Simply tracking PGE employee hours does not accurately reflect the change in PGE’s  
21 labor needs and can be misleading. As such, we focus on total labor dollars in this proceeding.

1 A focus on labor dollar metrics, as opposed to FTEs, is consistent with most other elements  
2 of PGE’s regulatory account for operating expenses. Similar to non-labor expenses, any  
3 proposed increases to customer prices related to labor dollars are subject to scrutiny of output  
4 efficiency and justification. A focus on total labor dollars is consistent with how managers  
5 view the resources they need to accomplish both limited term projects along with on-going  
6 base-business requirements. Total labor dollars provide a better reflection of PGE’s labor  
7 requirements from both a historical and projected basis.

8 **Q. Please explain.**

9 A. Changes to the utility business model require a more flexible mix of employees. For example,  
10 changes in software development strategies may require a change from a large group of lower-  
11 wage developers to a smaller group of highly skilled (and highly paid) senior architects. Other  
12 areas of the business may, due to talent development needs or changing technology, require a  
13 larger number of early career employees rather than smaller number of more highly paid  
14 senior employees. Additionally, continually shifting and evolving project work can often  
15 require specialized skill sets on a temporary basis that are more easily filled by contract  
16 employees, who can be adjusted to fit the specific skills needed, while highly specialized  
17 work, that is unique to PGE and/or the regulated utility business often requires the attraction  
18 and retention of PGE employees.

19 Looking at FTEs tends to mask overall changes to PGE’s labor needs, as neither  
20 contractor hours nor overtime hours is factored into the calculation. Furthermore, just as  
21 managers must manage to a budgeted amount of dollars, PGE as a company must manage its  
22 business to a total revenue requirement. Additionally, as illustrated above, it is possible to  
23 have either more FTEs at a lower cost or less FTEs at a greater cost, depending on the changes

1 to resource needs. As such, managers place greater focus on managing their total labor budget,  
2 including contract labor, rather than simply focusing on FTEs.

3 **Q. How does a focus on labor dollars, rather than FTEs, improve PGE’s labor budgeting?**

4 A. By holding managers to a labor budget irrespective of FTEs, they can focus on hiring the right  
5 mix of employees and not be constrained by FTE count. Labor dollar metrics allow managers  
6 the flexibility to change their workforce composition, including skillset mixes and contractor  
7 expertise, to respond to changes in technology and competitive requirements. Focusing on  
8 labor dollars also allows for improved tracking of labor resources when functional distinctions  
9 are blurred (such as the distinction between operational technology and information  
10 technology).

11 **Q. Does this change in focus also involve changes to the inputs used in determining market  
12 reference pay points?**

13 A. No. As discussed below, PGE continues to use well-established industry and function-based  
14 national, regional and local benchmarks to determine market-based pay points for non-  
15 bargaining PGE employees.

### **B. Market-Based Pay Structure**

16 **Q. Please describe how PGE determines its market-based pay structure.**

17 A. PGE periodically compares its wages and salaries to the relevant markets. To do this, we  
18 engage in a variety of compensation survey services through third-party consulting companies  
19 who specialize in collecting and producing compensation market data. These data points are  
20 then used to benchmark the salaries of various positions and roles against similar PGE  
21 positions. PGE performs regression analyses using these data to determine the midpoint for  
22 each compensation grade within the pay structure. Pay ranges are then established around the

1 midpoint as a means to compensate employees equitably and competitively based on factors  
2 such as performance and experience, while also controlling costs. In general, actual salaries  
3 for each position level must fall within a specific range of PGE’s pay structure as determined  
4 by these mid-points and the range around the mid-point. We do, however, sometimes find it  
5 necessary to establish direct pay above or below the median, as appropriate, based on  
6 experience, scope, and impact of the role to the organization consistent with Oregon Pay  
7 Equity Act.

8 **Q. What has been the recent trend for overall wages and salaries in the marketplace?**

9 A. Due to the effects of the economic downturn, overall wages and salaries escalation both in  
10 Oregon and nationally softened slightly in 2020, compared to recent historical periods, with  
11 the 2020 full year nominal percent change in Oregon wages in salaries increasing only 1.6%.

12 However, according to the State of Oregon Office of Economic Analysis (OEA):

13 “the labor market is expected to remain tight for the foreseeable  
14 future in large part due to demographics and the large number of  
15 Baby Boomers retiring. Labor will remain a challenge for firms.  
16 But a tight labor market also works wonders for employees with  
17 strong wage gains and more plentiful job opportunities.”<sup>12</sup>

18 In support of their expectation the May 2021 quarterly OEA report forecasts Oregon’s  
19 nominal wages and salaries to increase by 8.8% and 5.6% for 2021 and 2022, respectively.

20 With such a tight labor market predicted, it is as critical as ever that PGE continue to offer a  
21 market competitive total compensation package to recruit and retain employees.

22 **Q. Have you performed any recent comparisons of PGE’s wage structure with the market?**

23 A. Yes. In 2020, we compared our hourly nonunion and salaried non-officer positions with the  
24 market. As a result, we adjusted the midpoints of our pay structures to align with market,

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<sup>12</sup> OEA May 2021 Economic and Revenue Forecast, Page 3.  
<https://www.oregon.gov/das/OEA/Documents/forecast0521.pdf>

1 which increased by an overall average of 0.9%. However, as evidenced above, we expect the  
2 2021 results to be much more pronounced. The details of the 2020 study are provided in our  
3 confidential work papers.

4 **Q. What is PGE’s 2022 test year forecast for total labor?**

5 A. Tables 2 and 3 below summarize PGE total labor costs for 2020 and 2022 by division and by  
6 cost category respectively. Additional detail can be found in PGE Exhibit 302.

**Table 2**  
**Total Labor Costs by Division (\$000)**

|  | 2020 Actuals <sup>(3)</sup> | 2022 Test Year <sup>(1)</sup> |
|--|-----------------------------|-------------------------------|
| Administrative and General                       | \$88,843                    | \$86,929                      |
| Customer Accounts                                | \$22,788                    | \$24,115                      |
| Customer Service                                 | \$12,044                    | \$13,429                      |
| Generation                                       | \$57,253                    | \$49,687                      |
| Transmission & Distribution                      | \$181,577                   | \$177,531                     |
| <b>Total Wages &amp; Salaries <sup>(2)</sup></b> | <b>\$362,506</b>            | <b>\$351,692</b>              |

*(1) 2021 & 2022 amounts are net of PGE’s pre-filing adjustments.*

*(2) Numbers may not sum due to rounding.*

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

**Table 3**  
**Total Labor Costs by Cost Category (\$000)**

|  | 2020 Actuals <sup>(3)</sup> | 2022 Test Year <sup>(1)</sup> |
|--|-----------------------------|-------------------------------|
| Salaried Straight Time                           | \$169,109                   | \$181,420                     |
| Union Straight Time                              | \$60,004                    | \$63,387                      |
| Hourly Straight Time                             | \$19,539                    | \$22,116                      |
| Union Overtime                                   | \$26,516                    | \$18,032                      |
| Hourly Overtime                                  | \$804                       | \$1,286                       |
| Temporary PGE Labor                              | \$1,944                     | \$2,799                       |
| Contract Labor                                   | \$41,907                    | \$15,050                      |
| Paid Time Off (PTO)                              | \$42,682                    | \$47,603                      |
| <b>Total Wages &amp; Salaries <sup>(2)</sup></b> | <b>\$362,506</b>            | <b>\$351,692</b>              |

*(1) 2021 & 2022 amounts are net of PGE’s pre-filing adjustments.*

*(2) Numbers may not sum due to rounding.*

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

7 We have worked hard to drive efficiencies across our business in our labor force, which  
8 is illustrated above with overall wages and salaries for 2022 below that of the 2020 base year.  
9 Details of our efforts are discussed in separate testimonies. While substantially lower than  
10 current Oregon economic predictions, in an effort to mitigate the overall impact of this general

1 rate case request and reduce the overall increase to customer prices, PGE used a rate of just  
2 2.5% to escalate its non-bargaining wages and salaries for 2021 and 3.0% to escalate non-  
3 bargaining wages and salaries for 2022. For union wages and salaries, PGE applied a rate of  
4 3.5% for 2021 and 2022, which is based on our expectations regarding the upcoming  
5 collective bargaining process.

6 **Q. Please identify the bargaining unit contracts in effect with the IBEW Local No. 125**  
7 **(IBEW).**

8 A. There are two collective bargaining agreements, one for each bargaining unit. The largest  
9 bargaining unit (i.e., the majority of PGE’s union employees, referred to here as “BU1”)  
10 covers all union employees at work sites other than Coyote, Port Westward, and Carty. A  
11 second bargaining unit covers employees at Coyote, Port Westward, and Carty (referred to  
12 here as “BU2”).

13 **Q. Does PGE expect there to be any significant changes to these CBAs in 2021 or 2022?**

14 A. Yes. We expect to begin negotiations this year, which will likely impact the overall structure  
15 for both CBAs. Most significantly, will be an attempt to bargain an agreement that covers  
16 employees at Coyote, Port Westward, and Carty, as well as cover represented employees at  
17 all PGE generating facilities. As a result, this new CBA will likely contain bargained for wage  
18 escalation and benefits offerings similar to that contained in the current BU1 CBA. As such,  
19 we have developed our 2022 test year labor and benefits forecast using this assumption.

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

1 A. Total compensation, including wages, is the result of arm’s length,<sup>13</sup> collective bargaining  
2 between PGE and the IBEW. Under collective bargaining, wages, other parts of total  
3 compensation, and other conditions are negotiated as a whole (i.e., changes to wages and other  
4 parts of compensation are considered alongside other contract provisions like work rules and  
5 schedules). Thus, the bargaining agreements in their entirety reflect the negotiated outcomes  
6 that both parties’ support.

7 **Q. Has PGE made any adjustments to its total labor costs for 2022?**

8 A. Yes. To account for vacancies and/or unfilled positions, PGE has included a \$10 million  
9 O&M reduction to its base budget wages and salaries forecast. This amount is reflected in the  
10 above tables.

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<sup>13</sup> In an arm’s length negotiation, each party is acting independently, and in their own self-interest.

#### **IV. Incentives**

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

2 A. Incentive pay is part of a competitive total compensation package where high performing  
3 employees are rewarded with a larger total annual compensation package based on  
4 pre-established performance goals and some additional rewards for extraordinary  
5 achievement. Most incentive pay places a portion of employee pay at risk, making it  
6 dependent on the employee's performance and quality of output, along with PGE's overall  
7 performance. While incentive pay shares characteristics in common with bonuses, most of  
8 PGE's incentive pay is different from a bonus because of the "at risk" component utilized to  
9 drive performance and outcomes.

10 **Q. What is PGE's strategy for incentive compensation?**

11 A. As with wages and salaries, PGE's strategy is to provide incentive pay that attracts, retains,  
12 and motivates employees. The incentive goals for all participants stem from PGE's  
13 organizational performance goals, which support our progress towards our long-term strategic  
14 goals and our commitment to core principles, such as delivering exceptional customer  
15 experiences, decarbonizing our portfolio, pursuing excellence in our work, and accountability  
16 for individual performance results.

17 **Q. How does PGE determine the structure and target percentages for incentives?**

18 A. PGE monitors the employment market and acquires information regarding incentive  
19 compensation program design practices. Then, consistent with our total compensation  
20 program design, PGE's incentive targets are set at the 50<sup>th</sup> percentile, or middle of the market.  
21 Even though it is a small percentage of PGE's total compensation, incentive pay programs are  
22 common practice in the market and are a very important feature in the overall competitive

1 compensation package; it assists PGE in attracting and retaining well-qualified and skilled  
2 employees and encourages high level employee performance, engagement, collaboration, and  
3 productivity. High performing employees benefit the company and customers when they are  
4 working efficiently and effectively and are engaged in their work. PGE’s incentive programs  
5 also align employee performance goals with shared customer and company goals that strive  
6 to keep costs low, improve customer satisfaction, and maintain PGE’s financial stability.  
7 Additionally, PGE has just recently introduced goals to support its diversity initiatives.

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

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

**Table 4**  
**Total Incentives (\$000)**

| <b>Incentive Plans</b>                 | <b>2020<br/>Actuals</b> | <b>2022<br/>Test Year<sup>(1)</sup></b> |
|--|-------------------------|---|
| Performance Incentive Compensation     | \$8,567                 | \$9,842                                 |
| Annual Cash Incentive                  | \$9,547                 | \$5,141                                 |
| Stock (long-term incentive plan)       | \$10,887                | \$3,437                                 |
| One-time recognition and Miscellaneous | \$133                   | \$146                                   |
| <b>Total Incentives<sup>(2)</sup></b>  | <b>\$29,133</b>         | <b>\$18,566</b>                         |

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

(2) Numbers may not sum due to rounding.

1 **Q. Why did PGE make these adjustments?**

2 A. We made these adjustments to help mitigate the overall size of the rate increase. PGE has  
3 worked diligently to design incentive plans that provide reasonable incentive to attract and  
4 retain qualified individuals, to achieve corporate goals, and to benefit customers. This helps  
5 minimize turnover, increase efficiency, and produces positive financial results; all goals that  
6 directly and positively impact PGE's costs and value to customers. Although we have made  
7 these incentive reductions in this filing, we still believe that all of our incentive costs are  
8 prudent and appropriate.

**A. Performance Incentive Compensation**

9 **Q. What is the Performance Incentive Compensation (PIC) Plan?**

10 A. The PIC Plan is PGE's broad-based incentive program for most non-bargaining employees.  
11 The PIC plan rewards eligible employees with cash payments for performance tied to results  
12 that support PGE's Corporate Imperatives<sup>14</sup> and lead to greater value for customers and  
13 stakeholders.

14 **Q. Please explain how the PIC plan creates benefits for customers.**

15 A. PGE's PIC plan creates customer benefit by basing the incentive pool on two goals that  
16 provide value to customers:

- 17 • Individual or Team Performance Goals: These performance goals are designed to  
18 stretch performance and promote individual growth and development, while  
19 achieving corporate operational goals (e.g., efficiency, meeting or improving  
20 operational standards). Strong individual performance is critical in achieving

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<sup>14</sup> PGE's three long-term Corporate Imperatives are to: 1) Decarbonize, 2) Electrify, and 3) Perform.

1 strong company performance, which in turn, leads to greater value for PGE's  
2 customers.

- 3 • Financial Performance: While financial performance represents a smaller  
4 percentage of PGE's payout ratio compared to individual and team performance, it  
5 is still important, as financial strength can reduce customer rates through lower  
6 borrowing costs and, thus, a lower cost of capital.

7 Actual award amounts are based on employees' incentive targets and their performance  
8 relative to these goals.

### **B. Annual Cash Incentive**

#### **9 Q. What is the Annual Cash Incentive (ACI) Plan?**

10 A. PGE's ACI Plan is an incentive plan for executives and key non-bargaining employees whose  
11 contributions have a strategic and measurable impact on the success of PGE's goals and  
12 performance results.

#### **13 Q. Please describe the ACI plan's operational goals and how they align key employee 14 performance measures with customer interests.**

15 A. PGE aligns its ACI plan with customer interests by basing the incentive payouts on PGE's  
16 success in achieving strategic, operational, and financial goals described below that deliver  
17 value to customers:

- 18 • Corporate Strategy: This goal measures the execution on PGE's long-term  
19 corporate strategies through annual key initiatives that align to the long-term  
20 strategies of: 1) Decarbonization, customers want affordable, reliable energy - and  
21 they want their choices to be cleaner than ever before; 2) Electrification, help meet  
22 customer and stakeholder goals of driving decarbonization of the entire economy,

1 through beneficial electrification of end uses like transportation; and 3)  
2 Performance, delivery of affordable, reliable, and cleaner energy choices equitably  
3 to all customers, through positive interactions and exceptional customer  
4 experiences.

- 5 • Customer Satisfaction: This goal measures the overall satisfaction of PGE's retail  
6 customer groups using results from market research studies conducted by Market  
7 Strategies International (MSI).
- 8 • Electric Service Power Quality and Reliability: This goal uses annual results of the  
9 company's System Average Interruption Duration Index (SAIDI), which evaluates  
10 both frequency and duration of outages. SAIDI combines the following measures:  
11 1) System Average Interruption Frequency Index (SAIFI), the average number of  
12 interruptions that a customer would experience; and 2) Customer Average  
13 Interruption Duration Index, the average time, once the outage occurs, to restore  
14 service to the customer.
- 15 • Generation Availability: This goal measures the amount of time that our generating  
16 plants are available to produce energy. Plant availability positively influences  
17 power costs by ensuring that the lowest cost resources are available for dispatch.<sup>15</sup>
- 18 • Financial Performance: This goal measures actual earnings per share (EPS) relative  
19 to an EPS target established by our Board of Directors. PGE's financial strength  
20 will reduce customer prices through lower borrowing costs and, thus, a lower  
21 overall cost of capital. Financial strength also supports PGE's access to capital to  
22 support necessary investments that benefit customers.

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<sup>15</sup> PGE Confidential Exhibit 702 provides plant availability statistics.

**C. Other Plans**

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

2 A. PGE initiated its stock incentive plan in 2006 and it reflects current market practice; many  
3 publicly traded companies (including most utilities) provide long-term incentives to promote  
4 performance and retention of directors, officers, and key employees. These awards are earned  
5 and paid out in three-year cycles.<sup>16</sup> The Public Utility Commission of Oregon (OPUC or  
6 Commission) approved this stock issuance in Docket No. UF 4226 and summarized the goals  
7 of the plan:

8 “The Plan is part of the Company’s overall compensation package  
9 and is intended to provide incentives to attract, retain, and motivate  
10 officers, directors, and key employees of the Company.”<sup>17</sup>

11 PGE’s 2022 forecast for its long-term stock incentive program is \$12.1 million, but our  
12 request is approximately \$3.4 million for the 2022 total long-term incentive expense. Our  
13 request reflects the removal of the Officer Long-term Incentive Program costs and a 50%  
14 reduction for other stock incentives.

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

16 A. Yes. Individual specific one-time recognition awards and other miscellaneous awards are  
17 given to employees on a case-by-case basis for exceptional performance beyond the annual  
18 incentive programs. These awards are distributed to recognize employees’ outstanding work  
19 on a specific project or task. PGE’s 2022 forecast for one-time recognition awards is  
20 approximately \$0.3 million, but our request is approximately \$0.15 million, reflecting a 50%  
21 reduction.

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<sup>16</sup> A portion of the long-term incentive program is now paid out annually in the form of restricted stock units.

<sup>17</sup> OPUC Order No. 06-356, p.1.

1           At times, and in specific situations, we have also employed other types of incentives, such  
2           as signing bonuses and retention payments, to obtain difficult-to-locate talent, in periods of  
3           critical skill competition, to motivate the completion of important tasks, or to hold employees  
4           in cases of future layoffs (e.g., Boardman decommissioning). However, these types of  
5           incentives are not included in the 2022 test year.

## V. Benefits

1 **Q. What is PGE’s benefit compensation strategy?**

2 A. The health and wellbeing of PGE employees and their families is critical to serving our  
3 customers. Research supports that when employees are provided a holistic wellness package,  
4 they are able to be more productive at work. PGE strives to maintain a benefits package that  
5 meets our employees’ needs and balances the features and costs both among employee groups  
6 and against what other employers in our market provide to their employees. As with the other  
7 two compensation components (total labor and incentives), PGE compares our benefits  
8 programs to the relevant market attributes. PGE also uses market information to create  
9 innovative program designs to provide greater employee choice and improve our ability to  
10 control costs. As a result, we believe that our total compensation package as filed is sufficient  
11 to attract and retain well-qualified and skilled employees and is reasonable for customers.

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

13 A. There are four major components: 1) health and wellness, 2) disability and life insurance,  
14 3) post-retirement, and 4) miscellaneous benefits. These components are also typical parts of  
15 our competitors’ offerings. As shown in Table 5 below, we project 2022 employee benefit  
16 costs of approximately \$103.6 million. PGE’s total benefit costs are expected to see a  
17 relatively small increase of \$4.3 million from 2020 to 2022, due primarily to increases in  
18 medical and dental costs and retirement savings plan costs.

**Table 5**  
**Total Benefits (\$000)**

| <b>Benefits Compensation Component</b> | <b>2020<br/>Actuals</b> | <b>2022<br/>Test Year</b> |
|--|-------------------------|---------------------------|
| Health and Wellness                    | \$47,805                | \$53,646                  |
| Disability and Life Insurance          | \$4,100                 | \$4,571                   |
| Post-Retirement                        | \$39,957                | \$42,985                  |
| Miscellaneous Benefits                 | \$6,684                 | \$1,632                   |
| Benefits Administration                | \$787                   | \$786                     |
| <b>Total Benefits*</b>                 | <b>\$99,332</b>         | <b>\$103,620</b>          |

*\* Numbers may not sum due to rounding.*

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

4 A. Yes. As we mentioned in Section III, we expect there to be a change in the structure of PGE’s  
5 two bargaining units, which will likely change some of the benefits offered to current BU2  
6 employees. More specifically, while the future structure of PGE’s bargaining units is to some  
7 extent still unknown, we expect that as part of the negotiations, employees currently subject  
8 to the BU2 CBA will be offered benefits consistent with the benefits currently offered to our  
9 main bargaining unit employees.

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

11 A. Yes. PGE participates in the Willis Towers Watson Energy Services BENVAL Study, a  
12 biennial comparison of benefit values (all open health and dental, post retirement, disability,  
13 and life insurance plans) among peer utilities with similar revenues. BENVAL provides a  
14 complete competitive analysis of the value of a benefit program, including a comparison of a  
15 company’s benefits plans against those of peer companies. Peer companies are those  
16 companies in similar industries with similar revenue sizes. The tools a company can use to  
17 affect medical costs are extremely diverse; BENVAL gathers all the relevant information

1 related to a company's health care and other benefits plan offerings in order to accurately  
2 benchmark them against other peer groups. BENCAL is a leading benefits benchmark study  
3 used by utilities and other large industries to evaluate the cost of their benefits plans.

4 **Q. Please describe PGE's peer group in the BENCAL study.**

5 A. In general terms, PGE's peer group includes 12 regulated utilities with annual revenue ranging  
6 from \$1 billion to \$3 billion. These peer utilities derive the majority of their revenue from the  
7 electric business. The peer group includes utilities across the U.S., with a balanced  
8 representation across the western and eastern regions.

9 **Q. Where does BENCAL place PGE in its medical and other benefit costs?**

10 A. According to the 2019 BENCAL study, PGE's employer-paid non-bargaining medical costs  
11 were approximately 12% higher, and a key driver leading to PGE's entire benefit program  
12 being approximately 5% higher than the average of its peers.<sup>18</sup>

13 **Q. How has PGE responded to the 2019 results?**

14 A. While PGE's employer paid costs were higher than the peer group average, total medical costs  
15 (employer plus employee costs) came in lower than the peer group average. As a result of  
16 this, and in order to move PGE's employer paid costs into greater alignment with the peer  
17 group average, PGE increased the cost sharing for employee paid medical costs. As a result,  
18 employees now pay a greater share of their total medical costs.<sup>19</sup> Since the BENCAL study  
19 is a biennial survey, PGE will be participating in this survey during 2021 and we expect to see  
20 the results of this change compared to our peer group average sometime towards the beginning  
21 of Q3, 2021.

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<sup>18</sup> These survey results are provided as confidential PGE Exhibit 303C.

<sup>19</sup> Approximately 8% more on average, as compared to 2019 employee share costs.

1 **Q. Please explain why Health and Wellness costs are forecasted to increase approximately**  
2 **\$5.8 million from 2020 to 2022.**

3 A. PGE’s increase to Health and Wellness of \$5.8 million, or approximately 5.9% annually is  
4 driven by several factors:

- 5 • First, while PGE’s direct labor requirements are relatively flat compared to 2019,  
6 due to the nation-wide pandemic, PGE experienced unsustainable delays in the  
7 back filling of certain open positions for 2020. The result of this action is a decrease  
8 in PGE’s 2020 regular employees and thus a decrease to 2020 Health and Wellness  
9 costs, as compared to 2019 actuals and 2021 and 2022 forecasts. When comparing  
10 PGE’s 2022 Health and Wellness forecast to 2019 actuals, the average annual  
11 increase is only 1.6%.
- 12 • Second, though lower than in the recent past, PGE has seen increases in medical  
13 and dental rates from benefit providers for 2021 and expects similar increases for  
14 2022. PGE’s benefits consultant, Mercer, provides PGE’s forecasted rate increases  
15 for the 2022 forecast. Mercer uses national and regional trending data paired with  
16 PGE’s employee demographics and usage trends in order to calculate a customized  
17 forecasted rate increase.
- 18 • Finally, because of the shift in assumptions for PGE’s Bargaining Unit employees  
19 as described above and in Section III, PGE expects a larger increase to union  
20 medical costs. Health care plan offerings and cost sharing for the bargaining unit  
21 are a negotiated benefit and managed by a Taft-Hartley Trust, which results in less  
22 flexibility for PGE to enact broad design changes. Currently, this results in union  
23 medical and dental costs, that while in line with industry standards, are higher per

1 employee than PGE’s non-union medical and dental. Thus, due to the likelihood  
2 of PGE’s BU2 employees being incorporated into the BU1 union medical plan, the  
3 annual average increase forecast for union health and dental is approximately 6.3%,  
4 compared to a 4.7% annual average increase for PGE’s non-union health and dental  
5 costs.

6 **Q. What strategies is PGE employing to help slow the increase of its health care costs?**

7 A. PGE has employed some strategies to help lower the costs of health care, which has  
8 consistently outpaced the rate of inflation.<sup>20</sup> Key to all strategies employed is the alignment  
9 of the features and costs of programs with the market and a focus on employee wellness to  
10 control health care costs. We use various tools to execute on this strategy. Most recently,  
11 PGE chose to stop offering retiree medical plans, as we found that our usage of this plan was  
12 low and that comparable plans for retirees existed in the marketplace at a similar or lessor  
13 cost. For current employees, the largest tool PGE currently has at its disposal to help control  
14 future health care costs for both the company and employees is the transition from traditional  
15 medical plans to Health Savings Account-qualified (i.e., HSA-qualified) medical plans.

16 As of 2018, PGE began offering only HSA-qualified plans to non-bargaining employees  
17 and is offering the option to union employees. The HSA-qualified medical plan design  
18 encourages wise use of health care services, because employees are responsible for 100% of  
19 service costs up to the medical plan’s deductible, except for preventive care which is covered.

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<sup>20</sup> According to the Kaiser Family Foundation: “In 2020, the average annual premiums for employer-sponsored health insurance are \$7,470 for single coverage and \$21,342 for family coverage. The average single premium increased 4% and the average family premium increased 4% over the past year. Workers’ wages increased 3.4% and inflation increased 2.1%.” See <https://www.kff.org/report-section/ehbs-2020-summary-of-findings/#:~:text=In%202020%2C%20the%20average%20annual,%25%20and%20inflation%20increased%202.1%25.>

1 In conjunction with the shift to HSA-qualified medical plans, another tool PGE has increased  
2 its focus on is promoting overall employee wellness.

3 Finally, as discussed above, PGE continually benchmarks and, if warranted, adjusts the  
4 cost sharing ratio of non-union medical plan offerings in order to remain in alignment with  
5 industry benchmarks.

6 **Q. Why does PGE include wellness programs as one of its total benefits components?**

7 A. PGE offers wellness programs to provide early detection of risk factors, intervention and  
8 management of health issues. These programs promote healthier lifestyles, which contribute  
9 to lower medical premiums, increased morale, and attendance. Research supports that when  
10 employees are provided a holistic wellness package, they are able to be more productive at  
11 work, with reduced sick time and lower rates of on-the-job injury as compared to employers  
12 who do not offer these programs.<sup>21</sup> Some of the services provided through these health  
13 programs include biometric testing, health risk appraisals, professional health coaching,  
14 obesity management, wellness reimbursements and disease prevention. Also included are  
15 occupational health services, which provide flu shots, health screening, and case management.

16 **Q. Please explain how PGE forecast its disability and life insurance benefit for 2022.**

17 A. PGE's disability and life insurance benefits are comprised of union short-term disability  
18 (STD) insurance, long-term disability insurance, and retiree group life insurance for all  
19 employees.

20 PGE forecasts STD insurance costs of approximately \$0.7 million in 2022. This  
21 represents a less than \$0.1 million increase from 2020 and is the result of PGE's current

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<sup>21</sup> PGE's third-party wellness platform provider has performed studies that show their members take 15-30% less sick time per year, have lower rates of on-the-job injury, lower costs related to Worker's Compensation claims, and lower overall healthcare claims costs compared to non-members.

1 assumption that BU2 employees will be moving into the plan, coupled with a 5% rate increase  
2 from the provider.

3 PGE forecasts long-term disability (LTD) benefits for union and non-union employees to  
4 be approximately \$2.2 million in 2022.<sup>22</sup> PGE uses forecasts from both Willis Towers  
5 Watson, a third-party actuary, and Mercer to estimate these expenses. Actual LTD  
6 costs fluctuate from year-to-year, sometimes significantly. The actuarial forecasts are driven  
7 by factors such as the discount rate, health care trend assumptions, number of participants,  
8 and demographics of the participant population. The expense in a given year is calculated as  
9 the difference between beginning and ending liabilities, plus the benefits actually paid by PGE  
10 in that year.

11 PGE forecasts retiree group life insurance costs to be approximately \$1.6 million in 2022.  
12 For union and non-union retirees, PGE pays for a basic level of coverage for life insurance.  
13 Active union and non-union members otherwise pay for their own life insurance.

14 **Q. What is included in PGE’s Post-Retirement benefits costs?**

15 A. PGE classifies its 401(k) plan and the PGE Pension Plan as post-retirement benefits. For  
16 purposes of this testimony, we also present the Health Reimbursement Arrangement (HRA)  
17 as a post-retirement benefit.<sup>23</sup>

18 **Q. Why are post-retirement benefits important?**

19 A. Helping employees plan for their eventual retirement through employer-sponsored post-  
20 retirement savings plans, such as PGE’s 401(k) savings account is key to PGE’s attraction and  
21 retention strategy. Providing strong post-retirement benefits is a great way to enhance the

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<sup>22</sup> This includes approximately \$0.6 million in LTD medical costs and \$1.7 million in LTD income benefit projections.

<sup>23</sup> To comply with ERISA accounting guidelines, PGE classifies the HRA as a health and wellness benefit, even though employees do not receive the benefit until after retiring from PGE.

1 total compensation package to attract well-qualified, skilled employees in the current  
2 competitive marketplace.

3 **Q. What is PGE's 401(k) forecast for 2022?**

4 A. PGE's 401(k) costs are based on employee contributions and PGE's match, up to plan  
5 maximums, and include an employer contribution for union employees and non-union  
6 employees not eligible for PGE's legacy pension plan. These costs change with base wage  
7 and salary levels and employee participation. From 2020 to 2022, costs associated with the  
8 401(k) are expected to increase from \$25.8 million to \$28.7 million. This is primarily due to  
9 a shift in employee demographics. As PGE continues to experience employee turnover, a  
10 larger percentage of employees are not part of PGE's legacy pension plan. As such, they  
11 receive the employer contribution into the 401(k) plan. As this turnover continues, PGE will  
12 continue to see a smaller share of employees in the pension plan and a larger share of  
13 employees qualifying for the employer contribution to their 401(k) plan.

14 **Q. What is PGE's HRA forecast for 2022?**

15 A. PGE's HRA provides a post-retirement benefit to cover a portion of health care expenses and  
16 premiums for union employees who retire from PGE. PGE previously provided this benefit  
17 for non-bargaining employees as well but stopped contributions to current participants and  
18 closed the plan to new participants in 2018. Union HRA costs relate to the accumulation of  
19 notional hours for current employees and retirees receiving current HRA benefits. Total HRA  
20 costs for 2022 are expected to be approximately \$2.3 million.

21 **Q. What is PGE's pension cost forecast for 2022?**

22 A. PGE's 2022 pension cost is forecasted to be \$19.6 million (or approximately \$11.9 million  
23 after capitalization), which is slightly below 2020 actuals.

1 **Q. Is PGE requesting any changes to its treatment of pension expense in this proceeding?**

2 A. No. PGE continues to capitalize pension and post-retirement plans in a manner consistent  
3 with PGE's method prior to the issuance of FASB ASU 2020-07, per the stipulated agreement  
4 in UE 319, PGE's 2018 test year general rate case.

5 **Q. How is pension expense calculated?**

6 A. Pension expense, more commonly known as "FAS 87 net periodic benefit cost,"<sup>24</sup> represents  
7 the cost of maintaining an employer's plan and is reported on the company's income  
8 statement. Pension expense consists of the following components: service cost, interest cost,  
9 expected return on assets, amortization of prior service cost, and amortization of net gains or  
10 losses. As part of its pension expense determination, PGE must identify an expected  
11 long-term rate of return and a discount rate.

12 **Q. What assumption does PGE use for its expected long-term rate of return?**

13 A. PGE's current forecast of 2022 pension expense continues to use an expected long-term rate  
14 of return of 7.0%, which is consistent with the rate used in our last general rate case and based  
15 on the pension plan's asset allocation.

16 **Q. What assumption does PGE use for its discount rate?**

17 A. PGE uses a discount rate of 2.53%, which is an average of the interest rates of a group of long-  
18 term high-quality AA-rated bonds. The discount rate is provided by Willis Towers Watson,  
19 and the methodology is determined in accordance with Generally Accepted Accounting  
20 Principles.

21 **Q. How does this discount rate compare to historical rates?**

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<sup>24</sup> PGE records its pension expense based on Accounting Standards Codification (ASC) 715, "Compensation – Retirement Benefits," which prior to July 1, 2009, was known as Statement of Financial Accounting Standards No. 87 or "FAS 87."

1 A. Discount rates have continued to decline in recent years, with the above forecasted discount  
2 rate for 2022 pension expense at a historic low.

3 **Q. Please discuss the current state of PGE’s pension plan.**

4 A. Overall, the funded status of PGE’s pension plan continues to hover around 70%. With  
5 discount rates remaining at a historically low level, the nominal growth of PGE’s pension  
6 liabilities continues to outpace the growth of pension plan assets, even with higher than  
7 average growth in 2019 and 2020. In other words, while PGE has experienced above average  
8 plan returns, they are still not enough to cover the growth of future expected liabilities.

9 **Q. Has this resulted in cash contributions into the plan?**

10 A. Yes. In order to address and maintain the funded status of the plan, which dropped due to  
11 negative returns in 2018, and due to the historically low discount rate environment, PGE  
12 contributed approximately \$9 million into the plan during 2018 and \$62 million for 2019.  
13 While these cash contributions did not significantly increase the funded status of our pension  
14 plan, they helped to offset actuarial losses for 2018 and maintain PGE’s current funded status  
15 in the near term. PGE continues to actively review its liability management strategies for  
16 available options to prudently increase our funded status, reduce plan risk, and reduce our  
17 overall plan expense.

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

19 A. Miscellaneous benefits are additional, low-cost tools that PGE uses to attract, retain, and  
20 develop well-qualified, skilled employees. We expect to spend approximately \$1.6 million in  
21 2022. Although a small percentage of PGE’s overall benefits costs, these tools help balance  
22 employer provided benefits with the changing realities of our demographics and position in  
23 the marketplace for employees. Examples of PGE’s miscellaneous benefits include

1 educational assistance, service awards, and a public mass transit benefit, which is consistent  
2 with offerings from similarly situated energy and utility companies in the Northwest.

3 **Q. What is PGE’s 2022 cost for benefits administration?**

4 A. PGE forecasts 2022 benefits administration costs to be approximately \$0.8 million, which is  
5 consistent with 2020 actual costs.

## VI. Summary and Qualifications

1 **Q. Please summarize your testimony.**

2 A. Serving our customers and community is at the heart of PGE’s purpose. PGE must provide a  
3 total compensation package sufficient to attract and retain the well-qualified, diverse, and  
4 skilled employees PGE needs to operate its business effectively and efficiently, and to  
5 encourage performance beneficial to PGE and our customers. To do this, PGE designs its  
6 total compensation program with reference to the labor markets in which we compete. This  
7 approach provides a total compensation structure, comprised of wages and salaries, incentives,  
8 and benefits, that as proposed will be competitive and cost effective.

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

10 A. I received a Bachelor of Arts degree in Business Administration: Human Resources and  
11 Management with a minor in Economics from Washington State University. I also hold a  
12 Senior Professional in Human Resources designation. My professional Human Resources  
13 career spans nearly thirty years and includes various roles at PGE for the last eleven years, as  
14 well as leadership positions with Hilton Hotels Corporation, Marsh USA Inc., and Waldron  
15 Consulting. I joined PGE’s Human Resource (HR) organization in 2009. I’ve served  
16 employees in Line Operations as well as T&D engineers, Substation Operations, Service &  
17 Design, and Public Policy employees. In 2014, I became the Employee Services Manager,  
18 where I led HR Operations including HR Systems Reporting & Analytics, Payroll, Service  
19 Center, Health Services, and other areas. I became Vice President of HR, Diversity &  
20 Inclusion in 2016. In this position, I am responsible for leading the organization’s people  
21 strategy, including talent acquisition and management, employee engagement, total rewards,  
22 health and wellness, diversity, equity and inclusion, security, and real estate services.

1 I'm an active member of the community with a passion for education and workforce  
2 development. In 2017, I was appointed by Oregon Gov. Kate Brown to the Oregon Workforce  
3 Investment Board and currently serve as the Vice Chair. I am also a member of the Partners  
4 in Diversity Leadership Council.

5 **Q. Ms. Neitzke, please summarize your qualifications.**

6 A. I received a Bachelor of Science degree in Business Administration with an emphasis in  
7 Finance from Oklahoma State University and a Post Baccalaureate degree in Accounting from  
8 Portland State University. I am a Certified Public Accountant. Prior to joining PGE in 2007,  
9 I worked at KPMG where I served in various publicly held companies as an external auditor  
10 over the course of ten years. I joined PGE in 2007 and have held various finance related  
11 management roles including financial reporting, treasury, corporate planning, and supply  
12 chain. I became the Director of Compensation and Benefits in early 2017.

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

14 A. Yes.

## List of Exhibits

| <b><u>Exhibit</u></b> | <b><u>Description</u></b>                                     |
|-----------------------|---|
| 301                   | PGE Total Compensation Costs – 2018 Actuals to 2022 Test Year |
| 302                   | PGE Total Labor Costs – 2018 Actuals to 2022 Test Year        |
| 303C                  | 2020 BENVAL Ranking – Entire Benefit Program                  |

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| Total Compensation WP                           | a-Dec - 2018       | a-Dec - 2019       | a-Dec - 2020       | Dec - 2021         | 2022 TY Request    | Base Year-Test Year<br>Delta | Base Year-Test Year<br>Annual % |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------------|---------------------------------|
| <b>BENEFITS</b>                                 |                    |                    |                    |                    |                    |                              |                                 |
| Benefits Administration                         |                    |                    |                    |                    |                    |                              |                                 |
| <b>Subtotal Benefits Administration</b>         | <b>481,868</b>     | <b>565,810</b>     | <b>787,059</b>     | <b>764,336</b>     | <b>786,168</b>     | <b>(890)</b>                 | <b>(0.1%)</b>                   |
| Education Plan                                  |                    |                    |                    |                    |                    |                              |                                 |
| <b>Subtotal Education Plan</b>                  | <b>231,249</b>     | <b>150,497</b>     | <b>120,238</b>     | <b>459,996</b>     | <b>459,996</b>     | <b>339,758</b>               | <b>95.6%</b>                    |
| Employee Assistance Program                     |                    |                    |                    |                    |                    |                              |                                 |
| <b>Subtotal Employee Assistance Program</b>     | <b>69,604</b>      | <b>55,819</b>      | <b>93,890</b>      | <b>85,320</b>      | <b>85,320</b>      | <b>(8,570)</b>               | <b>(4.7%)</b>                   |
| Employee Wellness Program                       |                    |                    |                    |                    |                    |                              |                                 |
| <b>Subtotal Employee Wellness Program</b>       | <b>368,404</b>     | <b>198,980</b>     | <b>91,039</b>      | <b>241,701</b>     | <b>244,399</b>     | <b>153,359</b>               | <b>63.8%</b>                    |
| Group Life Insurance                            |                    |                    |                    |                    |                    |                              |                                 |
| <b>Subtotal Group Life Insurance</b>            | <b>1,058,377</b>   | <b>1,223,537</b>   | <b>1,335,046</b>   | <b>1,600,939</b>   | <b>1,605,427</b>   | <b>270,381</b>               | <b>9.7%</b>                     |
| Health & Dental Plan                            |                    |                    |                    |                    |                    |                              |                                 |
| Active Non-Union Health & Dental                | 32,474,013         | 35,528,284         | 33,199,771         | 34,871,000         | 36,397,699         | 3,197,928                    | 4.7%                            |
| Active Union Health & Dental                    | 14,045,590         | 15,309,101         | 15,327,621         | 15,444,400         | 17,322,046         | 1,994,425                    | 6.3%                            |
| Health & Dental Administration                  | 251,968            | 333,712            | 317,097            | 338,449            | 347,168            | 30,071                       | 4.6%                            |
| Retiree Non-Union Health & Dental               | 497,034            | 589,084            | (1,207,452)        | 64,932             | 72,180             | 1,279,632                    | #NUM!                           |
| Retiree Union Health & Dental                   | 1,471              | 5,046              | (17,092)           | (847,332)          | (822,456)          | (805,364)                    | 593.7%                          |
| <b>Subtotal Health &amp; Dental Plan</b>        | <b>47,270,077</b>  | <b>51,765,226</b>  | <b>47,619,945</b>  | <b>49,871,449</b>  | <b>53,316,637</b>  | <b>5,696,692</b>             | <b>5.8%</b>                     |
| Health Reimbursement Account                    |                    |                    |                    |                    |                    |                              |                                 |
| <b>Subtotal Health Reimbursement Account</b>    | <b>3,204,489</b>   | <b>2,383,002</b>   | <b>2,024,970</b>   | <b>2,323,152</b>   | <b>2,332,272</b>   | <b>307,302</b>               | <b>7.3%</b>                     |
| Involuntary Severance Program                   |                    |                    |                    |                    |                    |                              |                                 |
| <b>Subtotal Involuntary Severance Program</b>   | <b>2,194,466</b>   | <b>3,724,058</b>   | <b>6,830,872</b>   |                    |                    | <b>(6,830,872)</b>           | <b>(100.0%)</b>                 |
| Long Term Disability Benefits                   |                    |                    |                    |                    |                    |                              |                                 |
| <b>Subtotal Long Term Disability Benefits</b>   | <b>1,016,575</b>   | <b>1,735,049</b>   | <b>2,114,003</b>   | <b>1,894,926</b>   | <b>2,238,534</b>   | <b>124,531</b>               | <b>2.9%</b>                     |
| Misc. Employee Benefits                         |                    |                    |                    |                    |                    |                              |                                 |
| <b>Subtotal Misc. Employee Benefits</b>         | <b>461,644</b>     | <b>974,029</b>     | <b>(267,544)</b>   | <b>1,185,897</b>   | <b>1,171,738</b>   | <b>1,439,283</b>             | <b>#NUM!</b>                    |
| Retirement Savings Plan                         |                    |                    |                    |                    |                    |                              |                                 |
| <b>Subtotal Retirement Savings Plan</b>         | <b>22,553,807</b>  | <b>24,859,928</b>  | <b>25,775,664</b>  | <b>27,460,473</b>  | <b>28,741,980</b>  | <b>2,966,316</b>             | <b>5.6%</b>                     |
| Short Term Disability Insurance                 |                    |                    |                    |                    |                    |                              |                                 |
| <b>Subtotal Short Term Disability Insurance</b> | <b>657,288</b>     | <b>680,004</b>     | <b>651,090</b>     | <b>664,400</b>     | <b>726,800</b>     | <b>75,710</b>                | <b>5.7%</b>                     |
| <b>Subtotal BENEFITS</b>                        | <b>79,567,847</b>  | <b>88,315,937</b>  | <b>87,176,273</b>  | <b>86,552,589</b>  | <b>91,709,271</b>  | <b>4,532,999</b>             | <b>2.6%</b>                     |
| <b>INCENTIVES</b>                               |                    |                    |                    |                    |                    |                              |                                 |
| ACI   |                    |                    |                    |                    |                    |                              |                                 |
| Boardman ACI                                    | 61,181             | (84,513)           |                    |                    |                    |                              | #DIV/0!                         |
| Officer ACI                                     | 2,635,661          | 2,620,715          | 1,070,755          | 2,753,772          |                    | (1,070,755)                  | (100.0%)                        |
| Pelton ACI                                      | 2,776              | 11,509             | 32,785             | 35,466             | 13,722             | (19,063)                     | (35.3%)                         |
| PGE General Operations ACI                      | 4,832,026          | 7,910,305          | 7,920,620          | 8,432,784          | 4,579,818          | (3,340,802)                  | (24.0%)                         |
| Wholesale Marketing ACI                         | 1,724,986          | 1,082,994          | 522,937            | 1,157,772          | 548,388            | 25,451                       | 2.4%                            |
| <b>Subtotal ACI</b>                             | <b>9,256,629</b>   | <b>11,541,010</b>  | <b>9,547,097</b>   | <b>12,379,794</b>  | <b>5,141,928</b>   | <b>(4,405,169)</b>           | <b>(26.6%)</b>                  |
| Notables & Misc.                                |                    |                    |                    |                    |                    |                              |                                 |
| Miscellaneous Awards                            | 3,900              | 4,465              | 1,375              |                    |                    | (1,375)                      | (100.0%)                        |
| Notable Achievement Awards                      | 813,447            | 694,222            | 131,263            | 291,312            | 145,656            | 14,393                       | 5.3%                            |
| <b>Subtotal Notables &amp; Misc.</b>            | <b>817,347</b>     | <b>698,688</b>     | <b>132,638</b>     | <b>291,312</b>     | <b>145,656</b>     | <b>13,018</b>                | <b>4.8%</b>                     |
| PIC   |                    |                    |                    |                    |                    |                              |                                 |
| Biglow Canyon PIC                               | 32,534             | 55,815             | 18,370             | 38,460             | 15,522             | (2,848)                      | (8.1%)                          |
| Carty PIC                                       | 738,703            | 658,511            | 1,579,229          | 676,596            | 399,534            | (1,179,695)                  | (49.7%)                         |
| Coyote Springs PIC                              | 588,829            | 425,872            | 455,906            | 374,844            | 208,380            | (247,526)                    | (32.4%)                         |
| Pelton PIC                                      | 9,223              | (21,818)           | 19,624             | 15,033             | 5,815              | (13,808)                     | (45.6%)                         |
| PGE General Operations PIC                      | 10,373,274         | 8,494,500          | 5,659,505          | 16,672,968         | 8,776,272          | 3,116,767                    | 24.5%                           |
| Port Westward PIC                               | 740,700            | 1,096,999          | 831,363            | 757,656            | 426,960            | (404,403)                    | (28.3%)                         |
| Tucannon River PIC                              | 37,245             | 47,087             | 2,804              | 19,032             | 9,750              | 6,946                        | 86.5%                           |
| <b>Subtotal PIC</b>                             | <b>12,520,508</b>  | <b>10,756,967</b>  | <b>8,566,799</b>   | <b>18,554,589</b>  | <b>9,842,233</b>   | <b>1,275,434</b>             | <b>7.2%</b>                     |
| Stock Incentive Plan                            |                    |                    |                    |                    |                    |                              |                                 |
| Board of Directors Stock Incentives             | 924,091            | 1,268,574          | 1,185,125          | 1,090,644          | 632,502            | (552,623)                    | (26.9%)                         |
| Officer Stock Incentives                        | 2,722,540          | 4,364,815          | 4,441,960          | 7,507,920          |                    | (4,441,960)                  | (100.0%)                        |
| PGE Stock Incentives                            | 1,446,888          | 3,502,861          | 5,259,792          | 4,864,668          | 2,803,998          | (2,455,794)                  | (27.0%)                         |
| <b>Subtotal Stock Incentive Plan</b>            | <b>5,093,518</b>   | <b>9,136,250</b>   | <b>10,886,877</b>  | <b>13,463,232</b>  | <b>3,436,500</b>   | <b>(7,450,377)</b>           | <b>(43.8%)</b>                  |
| <b>Subtotal INCENTIVES</b>                      | <b>27,688,003</b>  | <b>32,132,914</b>  | <b>29,133,411</b>  | <b>44,688,927</b>  | <b>18,566,317</b>  | <b>(10,567,094)</b>          | <b>(20.2%)</b>                  |
| <b>PENSION</b>                                  |                    |                    |                    |                    |                    |                              |                                 |
| Pension   |                    |                    |                    |                    |                    |                              |                                 |
| Pension   | 16,318,822         | 12,680,871         | 12,156,159         | 15,056,487         | 11,911,207         | (244,952)                    | (1.0%)                          |
| <b>Subtotal Pension</b>                         | <b>16,318,822</b>  | <b>12,680,871</b>  | <b>12,156,159</b>  | <b>15,056,487</b>  | <b>11,911,207</b>  | <b>(244,952)</b>             | <b>(1.0%)</b>                   |
| <b>Subtotal PENSION</b>                         | <b>16,318,822</b>  | <b>12,680,871</b>  | <b>12,156,159</b>  | <b>15,056,487</b>  | <b>11,911,207</b>  | <b>(244,952)</b>             | <b>(1.0%)</b>                   |
| <b>Total Aggregate Labor</b>                    |                    |                    |                    |                    |                    |                              |                                 |
| O&M Labor                                       | 240,381,397        | 231,021,205        | 215,114,927        | 215,036,439        | 228,996,658        | 13,881,731                   | 3.2%                            |
| Capital Labor                                   | 117,646,906        | 144,237,841        | 147,391,042        | 123,665,959        | 122,695,827        | (24,695,215)                 | (8.8%)                          |
| <b>Subtotal Aggregate Labor</b>                 | <b>358,028,303</b> | <b>375,259,046</b> | <b>362,505,969</b> | <b>338,702,398</b> | <b>351,692,484</b> | <b>(10,813,484)</b>          | <b>(1.5%)</b>                   |
| <b>Total</b>                                    | <b>481,602,975</b> | <b>508,388,769</b> | <b>490,971,812</b> | <b>485,000,400</b> | <b>473,879,280</b> | <b>(17,092,532)</b>          | <b>(1.8%)</b>                   |

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| Aggregate Wages by Cost Element      | Dec - 2018         | Dec - 2019         | Dec - 2020         | Dec - 2021         | Dec - 2022         | Base Year-Test Year<br>Delta | Base Year-Test Year<br>Annual % |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------------|---------------------------------|
| 1101: Straight-Time Labor - Salary   | 147,940,354        | 160,259,472        | 169,517,044        | 173,388,002        | 182,369,549        | 12,852,505                   | 3.7%                            |
| 1102: Straight-Time Labor - Union    | 56,183,457         | 59,567,839         | 59,727,241         | 61,574,940         | 63,225,514         | 3,498,273                    | 2.9%                            |
| 1103: Straight-Time Labor - Hourly   | 20,023,246         | 20,631,389         | 19,484,980         | 21,510,617         | 22,090,490         | 2,605,510                    | 6.5%                            |
| 1200: Other Union Labor              |                    |                    |                    | 2,708,090          | 2,802,874          | 2,802,874                    | #DIV/0!                         |
| 1201: Union High Time                | 68,696             | 45,392             | 65,817             |                    |                    | (65,817)                     | (100.0%)                        |
| 1202: Union Premium Pay              | 3,516,074          | 4,152,839          | 4,395,236          |                    |                    | (4,395,236)                  | (100.0%)                        |
| 1401: Overtime - Hourly              | 1,683,500          | 1,677,810          | 803,878            | 1,249,021          | 1,286,104          | 482,226                      | 26.5%                           |
| 1402: Overtime - Union               | 22,719,496         | 25,028,943         | 22,057,622         | 14,732,887         | 15,229,314         | (6,828,308)                  | (16.9%)                         |
| 1501: Temporary Labor Straight Time  | 6,040,933          | 3,909,946          | 1,920,809          | 2,744,545          | 2,783,688          | 862,879                      | 20.4%                           |
| 1502: Non-PGE Labor Straight Time    | 57,542,202         | 53,430,821         | 35,210,574         | 13,177,059         | 12,987,892         | (22,222,682)                 | (39.3%)                         |
| 1601: Temporary Labor Overtime       | 242,952            | 137,688            | 30,107             | 26,008             | 25,765             | (4,342)                      | (7.5%)                          |
| 1602: Non-PGE Labor Overtime         | 2,917,356          | 3,623,782          | 6,696,303          | 2,004,200          | 2,061,822          | (4,634,480)                  | (44.5%)                         |
| 5104: Vacation Overhead              | 39,150,038         | 42,982,718         | 42,681,702         | 45,969,637         | 47,603,121         | 4,921,419                    | 5.6%                            |
| 5501: Labor Allocation - ST Salary   |                    | (225,287)          | (407,915)          | (704,868)          | (949,554)          | (541,639)                    | 52.6%                           |
| 5502: Labor Allocation-ST Hrly Union |                    | 40,007             | 276,735            | 276,501            | 161,388            | (115,347)                    | (23.6%)                         |
| 5503: Labor Allocation-ST Hrly NonUn |                    | 6,445              | 54,445             | 53,068             | 25,625             | (28,820)                     | (31.4%)                         |
| 5505: Labor Allocation-Union Premium |                    | (149)              | (166)              |                    |                    | 166                          | (100.0%)                        |
| 5506: Labor Allocation - Hourly OT   |                    | (11)               | (10)               |                    |                    | 10                           | (100.0%)                        |
| 5507: Labor Allocation-Union HrlyOT  |                    | (5,518)            | (2,012)            | (261)              | (223)              | 1,789                        | (66.7%)                         |
| 5509: Labor Allocation-ST Temporary  |                    | (5,081)            | (6,422)            | (7,047)            | (10,887)           | (4,465)                      | 30.2%                           |
| <b>Total</b>                         | <b>358,028,303</b> | <b>375,259,046</b> | <b>362,505,969</b> | <b>338,702,398</b> | <b>351,692,484</b> | <b>(10,813,484)</b>          | <b>(1.5%)</b>                   |
|                                      |                    |                    |                    |                    |                    |                              |                                 |
|                                      |                    |                    |                    |                    |                    |                              |                                 |
| Aggregate Wages by Division          | Dec - 2018         | Dec - 2019         | Dec - 2020         | Dec - 2021         | Dec - 2022         | Base Year-Test Year<br>Delta | Base Year-Test Year<br>Annual % |
| A: Customer Accounts                 | 30,397,646         | 27,536,296         | 22,788,196         | 23,402,800         | 24,115,294         | 1,327,098                    | 2.87%                           |
| B: Customer Service                  | 20,545,434         | 11,121,515         | 12,044,485         | 12,111,392         | 13,428,887         | 1,384,402                    | 5.59%                           |
| C: A&G                               | 92,144,376         | 100,981,431        | 88,843,328         | 84,031,347         | 86,929,466         | (1,913,863)                  | (1.08%)                         |
| E: T&D                               | 151,925,877        | 171,967,649        | 181,577,050        | 170,423,782        | 177,531,355        | (4,045,695)                  | (1.12%)                         |
| G: Generating - Other                | 34,349,954         | 34,302,414         | 33,025,541         | 31,292,958         | 31,697,988         | (1,327,552)                  | (2.03%)                         |
| H: Generating - Biglow               | 819,829            | 602,486            | 699,715            | 654,699            | 673,030            | (26,685)                     | (1.93%)                         |
| I: Generating - Tucannon             | 519,074            | 531,049            | 575,528            | 698,617            | 718,221            | 142,693                      | 11.71%                          |
| O: Generating - Boardman             | 12,869,469         | 12,643,137         | 7,826,770          |                    |                    | (7,826,770)                  | (100.00%)                       |
| T: Generating - Trojan               | 1,369,544          | 1,425,710          | 1,485,311          | 1,615,111          | 1,660,560          | 175,249                      | 5.73%                           |
| V: Generating - Beaver               | 5,385,394          | 5,689,140          | 5,128,517          | 5,069,679          | 5,236,727          | 108,211                      | 1.05%                           |
| W: Generating - Port Westward        | 3,240,569          | 3,673,152          | 3,693,574          | 3,810,342          | 3,931,342          | 237,768                      | 3.17%                           |
| Y: Generating - Coyote               | 1,802,103          | 1,886,449          | 1,854,765          | 2,088,765          | 2,155,871          | 301,106                      | 7.81%                           |
| Z: Generating - Carty                | 2,659,035          | 2,898,618          | 2,963,188          | 3,502,905          | 3,613,743          | 650,555                      | 10.43%                          |
| <b>Total</b>                         | <b>358,028,303</b> | <b>375,259,046</b> | <b>362,505,969</b> | <b>338,702,398</b> | <b>351,692,484</b> | <b>(10,813,485)</b>          | <b>(1.5%)</b>                   |

Exhibit 303 contains confidential information and is subject to  
General Protective Order 21-206.

Information provided in electronic format only.