

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT

PUBLIC MEETING DATE: March 20, 2001

REGULAR AGENDA _____ CONSENT AGENDA X EFFECTIVE DATE _____

DATE: March 2, 2001

TO: Phil Nyegaard through Lee Sparling and Ed Busch

FROM: Ed Krantz

SUBJECT: Portland General Electric Company's 2001 Annual
Budget of Expenditures

SUMMARY RECOMMENDATION:

Approve proposed budget amounts for accounting purposes only.

DISCUSSION:

Officers' Salaries

Attachment 1 compares budgeted 2001 officers' salaries and other compensation with 2000 levels for the Portland General Electric Company. Total salaries are projected to decrease by 11.3 percent. The number of officers decreased from 16 in 2000 to 15 in 2001. Pensions and other fringe benefits decreased by 11.7 percent.

For 2001, total compensation decreases by 11.3 percent, due mainly to the reduction of one officer. For comparable positions, total compensation increased by 6.5 percent.

Salary history for the years 1996 through 2001 is shown on Attachment 2. The schedule reflects substantial organizational changes during the period. For comparable positions, salary increases averaged 4.3 percent per year over the six-year period.

Attachment 3 shows officers' salaries and bonuses for 1996 through 2000. Bonuses have been shown for the years they would normally have been paid. For example, 2000 bonuses, declared for the 1999 plan year, were paid in 2000. For comparable positions, cash compensation in 2000 increased by 2.7 percent over 1999.

On Attachment 4, officers' salary changes are compared to Consumer Price Index (CPI) changes for the years 1995 through 2000. The table shifts data between years in an effort to
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reflect proper matching. Since budgets present values at the beginning of the budget year, the 2001 budget, for example, is shown on this table as 2000. As of the end of the period, salaries for comparable positions are 18.6 percent higher than they would have been if CPI percentage increases had been granted during the period. When bonuses are included, the difference from the CPI for comparable positions through 1999 increases to 72.95 percent. In a general rate case, Staff typically proposes to exclude all officers' bonuses, and salary changes are limited to a percentage increase measuring cost changes, such as the CPI.

Memberships and Dues

"Above-the-line" memberships and dues in utility industry, technical and professional organizations are budgeted to increase from \$362,025 in 2000 to \$606,900 in 2001.

Pensions

The Company's pension plan is fully funded, requiring no contribution in 2001. Pension expense for 2001 is expected to be a negative \$16,800,000 compared to a negative \$13,300,000 in 2000. The credit is due to earnings from the pension plan assets exceeding the accrued obligation.

Political Contributions

The budget shows \$270,000 for political contributions during 2001, and as prescribed by the Uniform System of Accounts, all amounts are to be charged to "below-the-line" nonutility accounts.

STAFF RECOMMENDATION:

I recommend that Portland General Electric Company's 2001 Annual Budget of Expenditures be accepted for accounting

purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.