

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 15, 2003**

REGULAR ___ CONSENT X EFFECTIVE DATE _____

DATE: April 3, 2003

TO: John Savage through Lee Sparling and Ed Busch

FROM: Ed Krantz

SUBJECT: PORTLAND GENERAL ELECTRIC: Accept the Annual Budget of Expenditures for 2003

STAFF RECOMMENDATION:

I recommend that Portland General Electric's 2003 Annual Budget of Expenditures be accepted for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

DISCUSSION:

Officers' Compensation

Attachment 1 compares budgeted 2003 officers' salaries and other compensation with 2002 levels for Portland General Electric. Total salaries are projected to increase by 6.0 percent. Pensions and other fringe benefits increased by 40.7 percent, due mainly to company contributions to the employee retirement savings plan and increased medical/dental insurance premiums.

For 2003, total compensation decreases by 7.5 percent. For comparable positions, total compensation increased by 11.2 percent.

Salary history for the years 1998 through 2003 is shown on Attachment 2. The schedule reflects substantial organizational changes during the period. For comparable positions, salary increases averaged 5.1 percent per year over the six-year period.

Attachment 3 shows officers' salaries and bonuses for 1998 through 2002. Bonuses have been shown for the years they would normally have been paid. For

example, 2002 bonuses, declared for the 2001 plan year, were paid in 2002. For comparable positions, cash compensation in 2002 was 8.7 percent less than 2001.

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On Attachment 4, officers' salary changes are compared to Consumer Price Index (CPI) changes for the years 1997 through 2002. The table shifts data between years in an effort to reflect proper matching. Since budgets present values at the beginning of the budget year, the 2003 budget, for example, is shown on this table as 2002. As of the end of the period, salaries for comparable positions are 9.3 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 2001 increases 16.1 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 decrease from \$634,480 in 2002 to \$572,167 in 2003.

Pensions

The Company's pension plan is fully funded, requiring no contribution in 2003. Pension expense for 2003 is expected to be a negative \$6,500,000 compared to a negative \$15,600,000 in 2002. The credit is due to earnings from the pension plan assets exceeding the accrued obligation.

Cash contributions of \$9.3 million are expected to be made to the Employee Retirement Savings Plan in 2003 for matching employee contributions and for direct contributions to certain union employee accounts. This is a reduction of \$0.1 million compared to 2002.

Political Contributions

The budget shows \$180,000 for political contributions during 2003, and as prescribed by the Uniform System of Accounts, all amounts are to be charged to "below-the-line" nonutility accounts.

PROPOSED COMMISSION MOTION:

Portland General Electric's 2003 Annual Budget of Expenditures be accepted for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

Attachments