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Exec Steers PORTLAND GENERAL ELECTRIC Through Turmoil

PEGGY FOWLER HAS LIVED EVERY UTILITY EXECUTIVE'S WORST NIGHTMARE.

By Martin Rosenberg

She watched her parent company, Enron, implode in arguably the worst business scandal in the annals of American business.

She has had to confront an epic morale problem among her Portland General Electric Co. employees who have sustained steep losses in retirement accounts heavily invested in Enron stock.

And she has had to battle public power supporters intent on privatizing her beleaguered Oregon company, hoping to secure lower energy prices for 750,000 customers.

The ballot proposal to form a public utility district has gone down to defeat. Oregon state regulators now are reviewing a proposal by investors, the Texas Pacific Group, to buy the Portland utility for \$2.35 billion from a bankrupt Enron. A final decision expected by the end of the year. Fowler believes that transaction will stabilize her traumatized utility.

Portland City Commissioner Erik Sten, who supports making PGE a publicly-owned entity, believes that the Texas Pacific Group bid for PGE has failed to generate widespread political support and mail fail. Even so, Sten praised Fowler as "a good leader for PGE" who has "done a pretty good job keeping the company focused during an unpredictably turbulent time."

Peter Kohler, the president of Oregon Health & Science University recently named by Texas Pacific to be the local chairman of PGE, also praised Fowler.

"She is somebody who can keep her eye on the needs of her company, be involved in strategic planning and move forward in a complex industry," Kohler said. "She has managed to keep the company running effectively during the Enron fiasco."

Fowler is an intriguing industry figure on several counts. She is one of just a handful of women to ever reach the top executive post of a major utility. Furthermore, with a growing number of investors outside the energy industry now trolling for utility assets, Fowler is in a position to share with her peers firsthand knowledge about what it is like when would-be acquirers come courting.

Fowler, who has been at PGE for three decades, graduated with a degree in chemistry and math from George Fox University, a small Quaker-founded school in bucolic Newberg, Ore.

She recently was interviewed by EnergyBiz in her Portland office and also provided written responses to a series of questions. Highlights of those exchanges, edited for clarity, follow.

energybiz: How has Enron's decision to sell Portland General Electric, the protracted debate over whether the company should be publicly-owned and Texas Pacific's efforts to acquire the property complicated your work as CEO?

FOWLER: All businesses are complicated these days with increasing demands from customers for better services and lower prices. During these uncertain times, I have tried to keep PGE focused on our basic business. As an officer team, we've worked hard to define a focused direction and initiatives that move us forward, as well as keep us performing at high operating levels. The Enron bankruptcy and PGE sale process require regulatory approval and need time. We've tried to plan ahead and have enough lead-time. We try to prioritize and streamline our resources for this work so that most employees can focus on their regular jobs of serving customers. We have put extra effort into communications and conversations with employees and customers to gain commitment and understanding.

energybiz: Warren Buffett and others outside the industry are in hot pursuit of energy assets. What advice do you have for other utility executives who may learn that their company has attracted the interest of acquirers new to the energy business?

FOWLER: Understanding the regulatory process is key. Each state Public Utility Commission is different and their experiences and expectations need to be clearly understood by an investor. They also need to understand the company's culture and the role it plays in the local community. Most utilities have strong roots and deep relationships within their service territory and investors need to appreciate the power of that.

energybiz: Are we entering a period of industry consolidation? Will the pace of acquisitions pick up as the economy strengthens?

FOWLER: I doubt we are entering a phase of consolidation. Consolidations will continue at a gradual pace as regulation changes, as economies which provide reductions in cost to customers are determined – or as companies have financial difficulties and look to sell assets.



energybiz: In the next several years, what will be the most important factor determining the profitability of companies such as PGE?

FOWLER: Our profitability is closely tied to the economy and growth of our service territory, fair and appropriate regulation by the Oregon Public Utility Commission and the cost of energy – the availability of low-cost hydroelectric power, market prices and fuel prices.

energybiz: Many utilities, having witnessed the spectacular flameout of Enron, Dynegy and others, elected to stick to their “knitting.” Yet that typically results in meager profits. Is there a prudent cost for bolstering earnings without jeopardizing the franchise?

FOWLER: Buffett has the right idea. Utilities should be good solid investments. The regulatory formula limits us during the good times but helps during the tough times. Investors should understand that utilities can provide stable, predictable reasonable returns and anything beyond that jeopardizes the long-time viability of investor-owned utilities. People who think they are going to make a lot of money in this business are mistaken.

energybiz: What should be the centerpiece of a national energy policy in 2005 and beyond?

FOWLER: Our nation has had one of the most reliable, efficient and inexpensive energy systems in the world for decades. We did a fairly good job of messing that up. Shifting national and state energy priorities have created a lot of uncertainty in recent years which has resulted in a lack of investment in the system. National policy

should focus on restoring the system so it can support a sound and growing economy. Critical to that is providing clear policy direction and creating incentives to move us toward more diverse and sustainable energy resources. These incentives should encourage investment in electricity generation and the transmission system. The federal government must also recognize that each region is different and needs to have the flexibility to meet its unique needs.

energybiz: Many utilities, including PGE, have an aging workforce. How can this best be dealt with?

FOWLER: Companies need to analyze their risks of turnover in each part of their business. Then we must target and redouble our efforts with training and finding opportunities for new employees to learn and grow. These opportunities can include university programs which we sponsor, apprenticeships, job assignments, cross-training and mentoring on the job. We need to look at how to accommodate older workers who may stay in the workforce longer if benefits and working hours are more flexible.

energybiz: Why are there so few female energy executives?

FOWLER: The energy industry didn't attract a lot of women initially because few women pursued technical and engineering careers. It has been challenging for women to attain leadership roles in a traditionally male-dominated field, but I see PGE and other utilities really making an effort to develop female managers.

energybiz: What can the industry do to provide greater power reliability and lessen the chances of crippling outages?

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FOWLER: After a major disturbance in 1996, Northwest utilities beefed up communications, increased reliability margins, ramped up vegetation management and added high-speed electronic detection in order to prevent major disruptions of the power grid. There is still work to do building new transmission capacity. In addition, we need to understand customers' needs and invest in infrastructure to support those needs. There is a price tradeoff but customers who want highly reliable, quality power need to have options available such as multiple feeders, dedicated substations, backup generation and so forth. There will always be some outages as the systems cannot be fully protected from the forces of nature, but there are redundancies that can minimize outage time and reduce disruptions.

energybiz: If the power industry was in a position to speak with one voice, what would it be saying?

FOWLER: We need to be unified in letting our constituents know that we're first and foremost a service industry that plays a vital role in the economy of our regions and nation

and we work hard to be responsive to customers' needs, provide the greatest possible stability and keep prices stable.

Fowler has grown familiar with business chaos. If the Texas Pacific buyout proceeds, the stability it brings the utility will look nothing like the stability most utilities have enjoyed for a century.

Texas Pacific is committed to hold onto PGE for no more than a dozen years and it could develop an exit strategy in as few as five years. "The goal is to build value back into PGE," Kohler said.

The uncertainty built into that process has molded Fowler into an executive with a unique perspective on change in the energy world.

"You never know these days how long a company will be owned or what a board of directors or shareholders will do," she said.

She grew philosophical.

"Our job is to provide safe, reliable, affordable energy," she said. "It doesn't matter who owns us. That is what we continue to try to do." ☺



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