

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 **AR 499**

4 In the Matter of the Adoption of Permanent
5 Rules to Implement SB 408, Relating to
6 Matching Utility Taxes Paid with Taxes
7 Collected

Joint Rule Revisions

7 Attached as Exhibit A is a set of Joint Rule Revisions, designed to incorporate the
8 proposals set forth in the Joint Comments filed on August 14, 2006. Among the changes is
9 the deletion of the references to the Oregon statutes for definitions of property, payroll and
10 sales. This deletion was not designed to fundamentally alter the apportionment method as
11 announced in the Commission's Interim Order. Rather, it was designed to allow the parties
12 flexibility to derive the property, payroll and sales factors from the federal and state tax
13 returns and from the utility's Results of Operations Report. It was also designed to avoid
14 future arguments on how the apportionment method should be implemented based upon
15 inapplicable portions of those statutes.

16
17 DATED: August 17, 2006.

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22 Attorneys for PacifiCorp
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Exhibit A

Annual Tax Reports and Automatic Adjustment Clauses Relating to Utility Taxes

(1) This rule applies to regulated investor-owned utilities that provided electric or natural gas service to an average of 50,000 or more customers in Oregon in 2003, or to any successors in interest of those utilities that continue to be regulated investor-owned utilities.

(2) As used in this rule:

(a) "Affiliated group" means the group of corporations of which the utility is a member and that files a consolidated federal income tax return.

(b) "Deferred taxes" for purposes of the utility means the total deferred tax expense of regulated operations as reported in the FERC deferred tax expense accounts that relate to the year being reported in the utility's results of operations report or tax returns.

(c) "FERC" means the Federal Energy Regulatory Commission.

(d) "Income" means taxable income as determined by the applicable taxing authority, except that income means regulatory taxable income when reporting or computing the stand-alone tax liability resulting from a utility's regulated operations.

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(e) "Investment" means capital outlays for utility property necessary or useful in providing regulated service to customers.

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(f) "Local taxes collected" means the total amount collected from customers under the local tax line-item of customers' bills calculated on a separate city or county basis.

(g) "Pre-tax income" means the utility's net revenues before income taxes and interest expense, as determined by the Commission in a general rate proceeding.

(h) "Properly attributed" means the share of taxes paid that is apportioned to the Oregon regulated operations as calculated in section (3) of this rule.

(i) "Regulated operations of the utility" means those activities of a utility that are subject to rate regulation by the Commission.

(j) "Results of operations report" means the utility's annual results of operations report filed with the Commission.

(k) "Revenue" means retail revenues from ratepayers in Oregon excluding supplemental schedules or other revenues not included in the utility's revenue requirement and adjusted for any rate adjustment imposed under this rule.

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(l) "Revenue requirement" means the total revenue the Commission authorizes a utility an opportunity to recover in a general rate proceeding or other general rate revision, including an annual automatic adjustment clause under ORS 757.210.

(m) "Tax" means a federal, state or local tax or fee that is imposed on or measured by income and that is paid to a unit of government, but does not include a franchise fee or privilege tax.

(n) "Taxes authorized to be collected in rates" means the following for federal and state income taxes:

(A) The amount calculated by multiplying the following three values:

(i) The revenue the utility collects, using information from the utility's results of operations report;

(ii) The ratio of the net revenues from regulated operations of the utility to gross revenues from regulated operations of the utility, calculated using the pre-tax income and revenue the Commission authorized in establishing rates and revenue requirement; and

(iii) The effective tax rate used by the Commission in establishing rates for the time period covered by the tax report as set forth in the most recent general rate order or other order that establishes an effective tax rate, calculated as the ratio of total income tax expense in revenue requirement to pre-tax income.

(B) For purposes of paragraph (2)(m)(A), when the Commission has authorized a change during the tax year for gross revenues, net revenues or effective tax rate, the amount will be calculated using a weighted average of months in effect.

(o) "Taxes paid" means net amounts received by units of government from the utility or from the affiliated group and properly attributed to regulated operations of the utility, adjusted as follows:

(A) Increased by the amount of tax savings realized as a result of charitable contribution deductions allowed because of the charitable contributions made by the utility;

(B) Increased by the amount of tax credits on the tax return that are associated with investment by the utility in the regulated operations of the utility, which may include, but are not limited to, tax credits associated with renewable electricity production and the Oregon Business Energy Tax Credit, to the extent the expenditures giving rise to the tax credits and tax savings resulting from the tax credits have not been taken into account by the Commission in the utility's most recent general ratemaking proceeding; and

(C) Adjusted by deferred taxes related to the regulated operations of the utility. The utility must initially use its results of operations report to establish the amount of deferred taxes. If the utility does not believe that the results of operations report sufficiently reflects the amount of the utility's deferred taxes used to compute taxes paid for the applicable tax year, the utility may also use its tax returns for the tax year as a supplemental source for calculating the deferred

taxes adjustment as a separate submission. Deferred taxes do not include deferred tax items related to an adjustment under section (9) of this rule.

(p) "Taxpayer" means the utility, ~~the affiliated group or the unitary group~~ that files income tax returns with units of government.

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(q) "Unitary group" means the utility ~~or the group of corporations of which the utility is a member that files a consolidated state income tax return.~~

(r) "Units of government" means federal, state and local taxing authorities.

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(3) The amount of income taxes paid that is properly attributed to regulated operations of the utility is calculated as follows:

(a) The amount of federal income taxes paid to units of government that is properly attributed to the regulated operations of a utility is the product of the following two figures:

(A) The total amount of federal income taxes ~~before credits (however, allowing those credits associated with Oregon regulated utility operations) paid by the federal taxpayer, to which are added: (i) deferred taxes from all non-Oregon regulated utility operations; (ii) imputed tax benefits of depreciation on disallowed Oregon utility capital costs; and (iii) imputed tax benefits on charitable contributions of the affiliated group except those associated with Oregon regulated utility operations; and~~

(B) The average of the ratios calculated for the utility's ~~gross plant, wages and salaries, and sales, using amounts allocated to regulated operations of the utility in Oregon as set forth in the utility's Results of Operations Report in the numerator and amounts for the federal taxpayer in the denominator.~~

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(b) The amount of state income taxes paid to units of government that is properly attributed to the regulated operations of a utility is the product of ~~subsections (3)(b)(A) and (B), subject to subsections (3)(b)(C) and (D);~~

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(A) The total amount of Oregon income taxes ~~before credits (however, allowing those credits associated with Oregon regulated utility operations) paid by the Oregon unitary group taxpayer, to which are added: (i) deferred taxes from all non-Oregon regulated utility operations; (ii) imputed tax benefits of depreciation on disallowed Oregon utility capital costs; and (iii) imputed tax benefits on charitable contributions of the unitary group except those associated with Oregon regulated utility operations; and~~

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(B) The average of the ratios calculated for the utility's ~~gross plant, wages and salaries, and sales, using amounts allocated to regulated operations of the utility in Oregon as set forth in the utility's Results of Operations Report in the numerator and amounts for the unitary group taxpayer in Oregon, adjusted to reflect amounts allocated to regulated operations of the utility in Oregon, in the denominator.~~

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(C) If a utility's taxes collected in rates reflect non-Oregon state income taxes, then the total amount of Oregon income taxes paid shall be adjusted by the ratio calculated by dividing the Oregon effective tax rate used for setting rates by the Oregon statutory tax rate set forth in ORS 317.061. Alternatively, the utility may calculate the total state taxes paid using the formula set forth in subsections (3)(b)(A) and (B) on a state by state basis, apportioned to Oregon by multiplying the total state taxes paid by the average of ratios calculated for gross plant, wages and salaries and sales of the Oregon regulated operations in the numerator and the utility's regulated operations in the denominator.

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(D) When Oregon income tax attributable to regulated operations of the utility is 100 percent allocated to Oregon in setting rates, 100 percent of the utility's Oregon income tax should be attributed to Oregon regulated operations of the utility.

(c) The amount of income taxes paid that is properly attributed to the Oregon regulated utility operations under subsections (3)(a) and (3)(b) shall not be less than the amount of the stand-alone federal and state income tax liabilities of the Oregon regulated operations of the utility, reduced by the imputed negative tax associated with the sum of all federal and state income tax losses of entities in the utility's affiliated and unitary groups, respectively, and then multiplied by the average of the ratios for the utility's gross plant, wages and salaries, and sales, using amounts applicable to the Oregon regulated operations of the utility as set forth in the utility's Results of Operations Report in the numerator and amounts for the utility in the denominator.

(d) The amount of local income taxes paid to units of government that is properly attributed to the regulated operations of a utility is the product of the following two figures for each local taxing authority in Oregon:

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(A) The total amount of income taxes paid by the unitary group to the local taxing authority; and

(B) The ratio calculated as the utility's gross income from regulated operations of the utility in the local taxing authority divided by the gross income of the unitary group in the local taxing authority.

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(4) By October 15 of each year, each utility must file a tax report with the Commission. The tax report must contain the following information for each of the three preceding fiscal years:

(a) The amount of federal and state income taxes paid to units of government by the taxpayer;

(b) The amount of the federal and state income taxes paid that is incurred as a result of income generated by the Oregon regulated operations of the utility, calculated on a stand-alone basis;

(c) The amount of federal and state income taxes paid to units of government by the taxpayer that is properly attributed to the Oregon regulated operations of the utility, as calculated in section (3) of this rule;

(d) The amount of federal and state taxes income taxes authorized to be collected in rates for the Oregon regulated operations of the utility;

(e) The amount of the difference between the amount in subsection (4)(d) of this rule and the lowest of the amounts in subsections (4)(a), (4)(b) and (4)(c), after making the adjustments defined in subsection (2)(o) of this rule;

(f) The amount of local income taxes paid to units of government by the taxpayer, by local taxing authority;

(g) The amount of local income taxes paid to units of government by the taxpayer that is incurred as a result of income generated by the regulated Oregon operations of the utility, calculated on a stand-alone basis, by local taxing authority;

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(h) The amount of local income taxes paid to units of government by the taxpayer that is properly attributed to Oregon regulated operations of the utility, as calculated in section (3) of this rule, by local taxing authority.

(i) The amount of local income taxes collected from Oregon customers, by local taxing authority;

(j) The amount of the difference between the amount in subsection (4)(i) of this rule and the lowest of the amounts in subsections (4)(f), (4)(g) and (4)(h) after making the adjustments defined in subsection (2)(o) of this rule, by local taxing authority; and

(k) The proposed surcharge or surcredit rate adjustments for each customer rate schedule to charge or refund customers the amount of the differences in subsections (4)(e) and (4)(j) of this rule;

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(l) If the utility claims the minimum taxes paid amount set by subsection (3)(c), the total federal, state and local income tax losses in the utility's affiliated and unitary groups associated with the imputed negative tax claimed.

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(5) In calculating the amount of taxes paid under sections (3) and (4) of this rule:

(a) "Taxes paid" must be allocated to each tax year employed by the utility for reporting its tax liability in the following manner:

(A) For each tax liability shown on an initial or amended tax return for the immediately preceding tax year, which return is filed on or before the date the tax report is due for such tax year, to the tax year for which such return is filed.

(B) For each tax liability or tax adjustment shown on an amended tax return or made as a result of a tax audit, that is filed, paid or received after the date the tax report is due for the applicable tax year, to the tax year in which the related tax liability or tax adjustment is recognized by the utility for accounting purposes.

(C) Taxes paid must include any interest paid to or interest received from units of

government with respect to tax liabilities.

(b) When a utility's fiscal year or parent changes, and a partial year consolidated federal income tax return is filed during the year, taxes paid must be calculated in the manner defined by ORS 314.355 and OAR 150-314.355. For purposes of this rule, the taxes paid amount will reflect a weighted average of the months in effect related to each filing.

(6) The utility must explain the method used for calculating the amounts in this rule and provide copies of all workpapers and documents supporting the calculations. Each utility must obtain and provide any information requested by the Commission to implement and administer this rule.

(7) The Commission will establish an ongoing docket for each of the October 15th tax report filings. If a petitioner is granted intervention and becomes a party to the docket, they may have access to all such tax report filings made in the docket upon signing a protective order approved by the Commission, subject to the terms of the protective order.

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(a) Within 20 days following the October 15 tax report filings, an Administrative Law Judge will conduct a conference and adopt a schedule.

(b) Within 180 days of the tax report filings, the Commission will issue an order making the findings in section 8 of this rule.

(8) The Commission's order in subsection 7(b) of this rule will contain the following findings:

(a) Whether the taxes authorized to be collected in rates for any of the three preceding fiscal years differs by \$100,000 or more from the amount of taxes paid to units of government that are properly attributed to the Oregon regulated operations of the utility;

(b) For the preceding fiscal year, the difference between the amount of federal and state income taxes paid to units of government by the taxpayer that is properly attributed to the Oregon regulated operations of the utility and the amount of taxes authorized to be collected in rates;

(c) For the preceding fiscal year, the difference between the amount of local income taxes paid to units of government by the taxpayer that is properly attributed to the Oregon regulated operations of the utility and the amount of local taxes collected in rates; and

(d) Any other finding or determination necessary to implement the automatic adjustment clause.

(9) Upon entry of an order finding a difference of \$100,000 or more in section (8) of this rule, the utility must file an amendment to its automatic adjustment clause tariff to be effective each June 1, unless otherwise authorized by the Commission. The amended tariff must implement a

rate adjustment applying to taxes paid to units of government and collected from ratepayers for each fiscal year beginning on or after January 1, 2006.

(a) The utility must establish a balancing account and automatic adjustment clause tariff to recover or refund the difference determined by the Commission in subsection (8)(b) of this rule through a surcharge or surcredit rate adjustment.

(b) A utility that is assessed a local income tax must establish a separate balancing account and automatic adjustment clause tariff for each local taxing authority assessing such tax. The utility must apply a surcharge or surcredit on the bills of customers within the local taxing authority assessing the tax. The amount of the surcharge or surcredit must be calculated to recover or refund the difference determined by the Commission in subsection (8)(c) of this rule.

(c) Any rate adjustment must be calculated to amortize the difference determined by the Commission in subsections (8)(b) and (8)(c) of this rule over a period authorized by the Commission.

(d) Any rate adjustment must be allocated by customer rate schedule according to equal percentage of margin for natural gas utilities and equal cents per kilowatt-hour for electric utilities, unless otherwise authorized by the Commission.

(e) Each balancing account must accrue interest at the Commission-authorized rate for deferred accounts. For purposes of calculating interest, the amount of the difference calculated in this section of the rule will be deemed to be added to the balancing account on January 1 of the year following the tax year.

(f) The automatic adjustment clause must not operate in a manner that allocates to customers any portion of the benefits of deferred taxes resulting from accelerated depreciation or other tax treatment of utility investment or regulated affiliate investment required to ensure compliance with the normalization method of accounting or any other requirements of federal tax law.

(g) By December 31, 2006, each utility must seek a Private Letter Ruling from the Internal Revenue Service on whether the utility's compliance with Senate Bill 408, this rule, or any other relevant guidance or authorities would cause the utility to fail to comply with federal normalization requirements or other requirements of federal tax law. While a utility's request for a Private Letter Ruling is pending, or a related Revenue Ruling is pending, no rate adjustment will be implemented, but interest will accrue according to subsection (9)(e) of this rule on the amount of any rate adjustment determined by the Commission pursuant to subsections (8)(b) and (8)(c) of this rule.

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(10) No later than 30 days following the Commission's findings in section (8) of this rule, any person may file to terminate the automatic adjustment clause on the basis that it would result in a material adverse effect on customers. In the event of a filing under this section, the applicable rate adjustment will not be implemented until the Commission makes its determination. If the Commission decides against termination, interest will accrue according to subsection (9)(e) of this rule on the final amount of the rate adjustment. The person filing the claim will bear the burden of proof to substantiate the claim.

(11) At any time, a utility may file a claim that a rate adjustment under the automatic adjustment clause violates ORS 756.040 or other applicable law. In making a determination regarding a potential violation of ORS 756.040, the Commission will perform an earnings review using the utility's results of operations report for the applicable tax year. The utility filing the claim will bear the burden of proof to substantiate the claim.

(12) The Commission may disclose, or any intervenor in a utility tax report proceeding may obtain and disclose, the amount by which the amount of taxes that units of government received from the utility or from the affiliated group differs from the amount of costs for taxes collected, directly or indirectly, as part of rates paid by customers, including whether the difference is positive or negative. The Commission will not disclose or authorize disclosure of any information that is exempt from disclosure under the Public Records Law (ORS 192.410-192.505).

Stat. Auth.: ORS Ch. 183, 756, 757 & 759

Stats. Implemented: ORS 756.040, 756.060, 757.267 & 757.268

[Hist.: PUC 5-2005(Temp), f. & cert. ef. 9-15-05 thru 3-13-06]

AR 499 permanent rule final draft.doc

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that I served a true and correct copy of the foregoing document in
3 Docket AR 499 on the following named person(s) on the date indicated below by email and
4 first-class mail addressed to said person(s) at his or her last-known address(es) indicated
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DATED: August 17, 2006.


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1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

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4 In the Matter of the Adoption of Permanent
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6 Matching Utility Taxes Paid with Taxes
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PACIFICORP'S SUPPLEMENTAL
 COMMENTS ON INTERIM ORDER AND
 DRAFT RULES

7 **I. Introduction**

8 PacifiCorp respectfully submits the following Supplemental Comments on the
9 Commission's Interim Order in this docket, *In re: Adoption of Permanent Rules to Implement*
10 *SB 408*, Order 06-400 (July 14, 2006) ("Interim Order") and the AR 499 draft rules.

11 With this filing, PacifiCorp is submitting its proposed draft rule revisions, Exhibit A,
12 along with calculations updated to reflect the operation of the apportionment method using
13 PacifiCorp's proposed approach, Exhibit B, and using the approach proposed in the Joint
14 Rule Revisions, Exhibit C. The primary difference in these approaches is the treatment of
15 normalization.

16 **II. Mechanics of Apportionment Method Calculation.**

17 Working with Staff, PacifiCorp has developed simplified calculations to implement the
18 apportionment method, which are now reflected in both the Joint Rule Revisions and
19 PacifiCorp's Rule Revisions. An explanation of the calculation using PacifiCorp's approach
20 follows below. The calculation for the approach contemplated in the Joint Rules is similar.

21 **A. Federal Calculation**

22 Step 1: Calculate the Adjusted Federal Consolidated Tax

- 23 • *Use Federal Taxes Before Credits except Oregon Regulated Utility Credits.*
24 • *Adjust for Normalization by Removing Current Tax on Non-Oregon Regulated Utility*
25 *Operations and Entities.*

- 1 • *Add the Imputed Tax Benefit of Depreciation on Disallowed Capital Costs for*
- 2 *Oregon Regulated Utility Operations.*
- 3 • *Adjust for Symmetry by Adding the Imputed Tax Benefit of Unregulated Charitable*
- 4 *Contributions.*

5 Step 2: Apportion Federal Taxes to Oregon Regulated Utility Operations

- 6 • *Calculate Gross Plant, Wages & Salaries and Sales Factors for Affiliated Group*
- 7 *Using Federal and State Tax Returns, Workpapers and Supporting Schedules*
- 8 • *Calculate Gross Plant, Wages & Salaries and Sales Factors for Oregon Regulated*
- 9 *Utility Operations From Results of Operations Report.*
- 10 • *Derive and Apply Apportionment Percentage to Determine Federal Income Tax*
- 11 *Properly Attributed to Oregon Regulated Utility Operations.*
- 12 • *Add ORS 757.268(13)(f) amounts for Oregon Regulated Utility Operations.*

13 **B. State Calculation**

14 Step 1: Calculate the Adjusted State Unitary Tax.

- 15 • *Use Tax Return from Utility Unitary Group to Determine Taxes Paid.*
- 16 • *Use State Taxes Before Credits except Oregon Regulated Utility Credits.*
- 17 • *Add the Imputed Tax Benefit of Depreciation on Disallowed Capital Costs for Oregon*
- 18 *Regulated Utility Operations and Unregulated Charitable Contributions.*
- 19 • *For a Multi-State Utility, Derive and Apply Adjusted Oregon Tax Rate.*

20 Step 2: Apportion State Taxes to Oregon Regulated Utility Operations.

- 21 • *Calculate Gross Plant, Wages & Salaries and Sales Factors for Unitary Group.*
- 22 • *Use Gross Plant, Wages & Salaries and Sales Factors for Oregon Regulated Utility*
- 23 *Operations From Results of Operations Report (same as federal calculation).*
- 24 • *Derive and Apply Apportionment Percentage to Determine State Income Tax*
- 25 *Properly Attributed to Oregon Regulated Utility Operations.*
- 26 • *Add ORS 757.268(13)(f) amounts for Oregon Regulated Utility Operations.*

1 **C. Apply Properly Attributed Floor**

- 2 • *Calculate Floor Based on Oregon Regulated Utility Operations Stand-alone Tax Less*
3 *Total Affiliated and Unitary Group Losses Apportioned to Oregon Regulated Utility.*

4 **D. Local Calculation.**

- 5 • *Calculate Apportionment Using Gross Income.*

6 **III. Technical Corrections to Proposed Rules Reflected in Exhibit A.**

7 A. Pre-tax Interest/Effective Tax Rate. Based upon additional conversations with
8 Staff, PacifiCorp withdraws the rule revisions on these issues proposed in its
9 Reply Comments.

10 B. Double Whammy. PacifiCorp has added a new subsection 860-022-0041(3)(e)
11 to address its double whammy proposal.

12 C. Normalization. PacifiCorp proposes to add a new sentence in OAR 860-022-
13 0041(9)(f) that would allow utilities to adjust their compliance filings as necessary
14 to minimize normalization risks.

15 D. ORS 756.040 Challenges. PacifiCorp proposes language in OAR 860-022-
16 0041(11) to address the procedure for such challenges.

17 **IV. Conclusion**

18 For all of the reasons stated above, in PacifiCorp's Opening and Reply Comments
19 and in the Joint Comments, PacifiCorp respectfully requests adoption of its proposed rule
20 revisions.

21 DATED: August 17, 2006.

McDOWELL & ASSOCIATES PC

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/s/ Katherine A. McDowell

Katherine A. McDowell

Sarah J. Adams Lien

Attorneys for PacifiCorp

Annual Tax Reports and Automatic Adjustment Clauses Relating to Utility Taxes

(1) This rule applies to regulated investor-owned utilities that provided electric or natural gas service to an average of 50,000 or more customers in Oregon in 2003, or to any successors in interest of those utilities that continue to be regulated investor-owned utilities.

(2) As used in this rule:

(a) “Affiliated group” means the group of corporations of which the utility is a member and that files a consolidated federal income tax return.

(b) “Deferred taxes” for purposes of the utility means the total deferred tax expense of regulated operations as reported in the FERC deferred tax expense accounts that relate to the year being reported in the utility’s results of operations report or tax returns.

(c) “FERC” means the Federal Energy Regulatory Commission.

(d) “Income” means taxable income as determined by the applicable taxing authority, ~~except that income means~~ regulatory taxable income when reporting or computing the stand-alone tax liability resulting from a utility’s regulated operations.

(e) “Investment” means capital outlays for utility property ~~necessary or useful in providing~~ ~~to provide~~ regulated service to customers.

(f) “Local taxes collected” means the total amount collected from customers under the local tax line-item of customers’ bills calculated on a separate city or county basis.

(g) “Pre-tax income” means the utility’s net revenues before income taxes and interest expense, as determined by the Commission in a general rate proceeding.

(h) “Properly attributed” means the share of taxes paid that is apportioned to the Oregon regulated operations as calculated in section (3) of this rule.

(i) “Regulated operations of the utility” means those activities of a utility that are subject to rate regulation by the Commission.

(j) “Results of operations report” means the utility’s annual results of operations report filed with the Commission.

(k) “Revenue” means retail revenues from ratepayers in Oregon ~~as defined by FERC~~, excluding ~~supplemental schedules or~~ other ~~operating~~ revenues ~~as defined by FERC and supplemental schedules~~ not included in the utility’s revenue requirement and adjusted for any rate adjustment imposed under this rule.

(l) “Revenue requirement” means the total revenue the Commission authorizes a utility an opportunity to recover in a general rate proceeding or other general rate revision, including an annual automatic adjustment clause under ORS 757.210.

(m) “Tax” means a federal, state or local tax or fee that is imposed on or measured by income and that is paid to a unit of government, but does not include a franchise fee or privilege tax.

(n) “Taxes authorized to be collected in rates” means the following for federal and state income taxes:

(A) The amount calculated by multiplying the following three values:

(i) The revenue the utility collects, using information from the utility’s results of operations report;

(ii) The ratio of the net revenues from regulated operations of the utility to gross revenues from regulated operations of the utility, calculated using the pre-tax income and revenue the Commission authorized in establishing rates and revenue requirement; and

(iii) The effective tax rate used by the Commission in establishing rates for the time period covered by the tax report as set forth in the most recent general rate order or other order that establishes an effective tax rate, calculated as the ratio of total income tax expense in revenue requirement to pre-tax income.

(B) For purposes of paragraph (2)(m)(A), when the Commission has authorized a change during the tax year for gross revenues, net revenues or effective tax rate, the amount will be calculated using a weighted average of months in effect.

(o) “Taxes paid” means net amounts received by units of government from the utility or from the affiliated group and properly attributed to regulated operations of the utility, adjusted as follows:

(A) Increased by the amount of tax savings realized as a result of charitable contribution deductions allowed because of the charitable contributions made by the utility;

(B) Increased by the amount of tax credits on the tax return that are associated with investment by the utility in the regulated operations of the utility, which may include, but are not limited to, tax credits associated with renewable electricity production and the Oregon Business Energy Tax Credit, to the extent the expenditures giving rise to the tax credits and tax savings resulting from the tax credits have not been taken into account by the Commission in the utility's most recent general ratemaking proceeding; and

(C) Adjusted by deferred taxes related to the regulated operations of the utility. The utility must initially use its results of operations report to establish the amount of deferred taxes. If the utility does not believe that the results of operations report sufficiently reflects the amount of the utility’s deferred taxes used to compute taxes paid for the applicable tax year, the utility may also use its tax returns for the tax year as a supplemental source for calculating the deferred

taxes adjustment as a separate submission. Deferred taxes do not include deferred tax items related to an adjustment under section (9) of this rule.

(p) “Taxpayer” means the utility, ~~or~~ the affiliated group or the unitary group that files income tax returns with units of government.

(q) “Unitary group” means the utility or the group of corporations of which the utility is a member that files a consolidated state income tax return.

~~(r)~~ “Units of government” means federal, state and local taxing authorities.

(3) The amount of income taxes paid that is properly attributed to regulated operations of the utility is calculated as follows:

(a) The amount of federal income taxes paid to units of government that is properly attributed to the regulated operations of a utility is the product of the following two figures:

(A) The total amount of federal income taxes before credits (however, allowing those credits associated with Oregon regulated utility operations) paid by the federal taxpayer, adjusted to exclude (i) all non-Oregon regulated utility companies and operations; and to include (i) imputed tax benefits of depreciation on disallowed Oregon utility capital costs; and (ii) imputed tax benefits on charitable contributions of the affiliated group except those associated with Oregon regulated utility operations; and

(B) The average of the ratios calculated for the utility’s gross plant, wages and salaries~~property, payroll~~ and sales, ~~as defined in ORS 314.650 through 314.675,~~ using amounts allocated to Oregon~~for~~ regulated operations of the utility as set forth in the utility’s Results of Operations Report in Oregon in the numerator and amounts for the federal taxpayer, adjusted to exclude all non-Oregon regulated utility companies and operations, in the denominator.

(b) The amount of state income taxes paid to units of government that is properly attributed to the regulated operations of a utility is the product of subsections (3)(b)(A) and (B), subject to subsections (3)(b)(C) and (D)~~the following two figures:~~

(A) The total amount of Oregon income taxes before credits (however, allowing those credits associated with Oregon regulated utility operations) that is paid by the Oregon unitary group taxpayer, adjusted to include: (i) imputed tax benefits of depreciation on disallowed Oregon utility capital costs; and (ii) imputed tax benefits on charitable contributions of the unitary group except those associated with Oregon regulated utility operations; and

(B) The average of the ratios calculated for the utility’s gross plant, wages and salaries~~property, payroll~~ and sales, ~~as defined in ORS 314.650 through 314.675,~~ using amounts allocated to Oregon~~for~~ regulated operations of the utility as set forth in the utility’s Results of Operations Report in Oregon in the numerator and amounts for the unitary group taxpayer in

Oregon, adjusted to reflect amounts allocated to regulated operations of the utility in Oregon, in the denominator.

(C) If a utility's taxes collected in rates reflect non-Oregon state income taxes, then the total amount of Oregon income taxes paid shall be adjusted by the ratio calculated by dividing the Oregon effective tax rate used for setting rates by the Oregon statutory tax rate set forth in ORS 317.061. Alternatively, the utility may calculate the total state taxes paid using the formula set forth in subsections (3)(b)(A) and (B) on a state by state basis, apportioned to Oregon by multiplying the total state taxes paid by the average of ratios calculated for gross plant, wages and salaries and sales of the Oregon regulated operations in the numerator and the utility's regulated operations in the denominator.

(D) When Oregon income tax attributed to regulated operations of the utility is 100 percent allocated to Oregon in setting rates, 100 percent of the utility's Oregon income tax should be attributed to Oregon regulated operations of the utility.

(c) The amount of income taxes paid that is properly attributed to the Oregon regulated utility operations under subsections (3)(a) and (3)(b) shall not be less than the amount of the stand-alone federal and state income tax liabilities of the Oregon regulated operations of the utility, reduced by the imputed negative tax associated with the sum of all federal and state income tax losses of entities in the utility's affiliated and unitary groups, respectively, and then multiplied by the average of the ratios for the utility's gross plant, wages and salaries, and sales, using amounts applicable to the Oregon regulated operations of the utility as set forth in the utility's Results of Operations Report in the numerator and amounts for the utility in the denominator.

(de) The amount of local income taxes paid to units of government that is properly attributed to the regulated operations of a utility is the product of the following two figures for each local taxing authority in Oregon:

(A) The total amount of income taxes paid by the ~~unitary group taxpayer~~ to the local taxing authority; and

(B) The ~~average of the ratios~~ calculated ~~as for~~ the utility's ~~gross income from property, payroll and sales, as defined in ORS 314.650 through 314.675, using amounts for~~ regulated operations of the utility in the local taxing authority ~~divided by the gross income of~~ the ~~numerator and amounts for the taxpayer~~ unitary group in the local taxing authority. ~~in the denominator.~~

(e) When the properly attributed taxes paid amounts calculated in this section are less than the amount of taxes paid derived by operation of the caps in section ORS 757.268(12), the utility may apply to add the tax effect of expenses not reflected in the taxes collected amount as determined under section (2)(n) of this rule. The Commission shall allow increases to the

properly attributed taxes paid amount based on these expenses up to the amount set by the caps in section ORS 757.268(12) when necessary to produce fair and reasonable rates.

(4) By October 15 of each year, each utility must file a tax report with the Commission. The tax report must contain the following information for each of the three preceding fiscal years:

(a) The amount of federal and state income taxes paid to units of government by the taxpayer;

(b) The amount of the federal and state income taxes paid that is incurred as a result of income generated by the Oregon regulated operations of the utility, calculated on a stand-alone basis, ~~calculated as the difference between the taxpayer's tax liability computed with and without the regulated operations of the utility;~~

(c) The amount of federal and state income taxes paid to units of government by the taxpayer that is properly attributed to the Oregon regulated operations of the utility, as calculated in section (3) of this rule;

(d) The amount of federal and state taxes income taxes authorized to be collected in rates for the Oregon regulated operations of the utility;

(e) The amount of the difference between the amount in subsection (4)(d) of this rule and the lowest of the amounts in subsections (4)(a), (4)(b) and (4)(c), after making the adjustments defined in subsection (2)(o) of this rule;

(f) The amount of local income taxes paid to units of government by the taxpayer, by local taxing authority;

(g) The amount of local income taxes paid to units of government by the taxpayer that is incurred as a result of income generated by the -regulated Oregon operations of the utility, calculated on a stand-alone basis, ~~calculated as the difference between the taxpayer's tax liability computed with and without the regulated operations of the utility;~~ by local taxing authority;

(h) The amount of local income taxes paid to units of government by the taxpayer that is properly attributed to Oregon regulated operations of the utility, as calculated in section (3) of this rule, by local taxing authority.

(i) The amount of local income taxes collected from Oregon customers, by local taxing authority;

(j) The amount of the difference between the amount in subsection (4)(i) of this rule and the lowest of the amounts in subsections (4)(f), (4)(g) and (4)(h) after making the adjustments defined in subsection (2)(o) of this rule, by local taxing authority; and

(k) The proposed surcharge or surcredit rate adjustments for each customer rate schedule to charge or refund customers the amount of the differences in subsections (4)(e) and (4)(j) of this rule.;

(1) If the utility claims the minimum taxes paid amount set by subsection (3)(c), the total federal, state and local income tax losses in the utility's affiliated and unitary groups associated with the imputed negative tax claimed.

(5) In calculating the amount of taxes paid under sections (3) and (4) of this rule:

(a) "Taxes paid" must be allocated to each tax year employed by the utility for reporting its tax liability in the following manner:

(A) For each tax liability shown on an initial or amended tax return for the immediately preceding tax year, which return is filed on or before the date the tax report is due for such tax year, to the tax year for which such return is filed.

(B) For each tax liability or tax adjustment shown on an amended tax return or made as a result of a tax audit, that is filed, paid or received after the date the tax report is due for the applicable tax year, to the tax year in which the related tax liability or tax adjustment is recognized by the utility for accounting purposes.

(C) Taxes paid must include any interest paid to or interest received from units of government with respect to tax liabilities.

(b) When a utility's fiscal year or parent changes, and a partial year consolidated federal income tax return is filed during the year, taxes paid must be calculated in the manner defined by ORS 314.355 and OAR 150-314.355. For purposes of this rule, the taxes paid amount will reflect a weighted average of the months in effect related to each filing.

(6) The utility must explain the method used for calculating the amounts in this rule and provide copies of all workpapers and documents supporting the calculations. Each utility must obtain and provide any information requested by the Commission to implement and administer this rule.

(7) The Commission will establish an ongoing docket for each of the October 15th tax report filings. If a petitioner is granted intervention and becomes a party to the docket, they may have access to all such tax report filings made in the docket upon signing a protective order approved by the Commission~~at the time the tax report filings are filed with the Commission~~, subject to the terms of ~~the~~any protective order ~~issued~~.

(a) Within 20 days following the October 15 tax report filings, an Administrative Law Judge will conduct a conference and adopt a schedule.

(b) Within 180 days of the tax report filings, the Commission will issue an order making the findings in section 8 of this rule.

(8) The Commission's order in subsection 7(b) of this rule will contain the following findings:

(a) Whether the taxes authorized to be collected in rates for any of the three preceding fiscal years differs by \$100,000 or more from the amount of taxes paid to units of government that are properly attributed to the Oregon regulated operations of the utility;

(b) For the preceding fiscal year, the difference between the amount of federal and state income taxes paid to units of government by the taxpayer that is properly attributed to the Oregon regulated operations of the utility and the amount of taxes authorized to be collected in rates;

(c) For the preceding fiscal year, the difference between the amount of local income taxes paid to units of government by the taxpayer that is properly attributed to the Oregon regulated operations of the utility and the amount of local taxes collected in rates; and

(d) Any other finding or determination necessary to implement the automatic adjustment clause.

(9) Upon entry of an order finding a difference of \$100,000 or more in section (8) of this rule, the utility must file an amendment to its automatic adjustment clause tariff to be effective each June 1, unless otherwise authorized by the Commission. The amended tariff must implement a rate adjustment applying to taxes paid to units of government and collected from ratepayers for each fiscal year beginning on or after January 1, 2006.

(a) The utility must establish a balancing account and automatic adjustment clause tariff to recover or refund the difference determined by the Commission in subsection (8)(b) of this rule through a surcharge or surcredit rate adjustment.

(b) A utility that is assessed a local income tax must establish a separate balancing account and automatic adjustment clause tariff for each local taxing authority assessing such tax. The utility must apply a surcharge or surcredit on the bills of customers within the local taxing authority assessing the tax. The amount of the surcharge or surcredit must be calculated to recover or refund the difference determined by the Commission in subsection (8)(c) of this rule.

(c) Any rate adjustment must be calculated to amortize the difference determined by the Commission in subsections (8)(b) and (8)(c) of this rule over a period authorized by the Commission.

(d) Any rate adjustment must be allocated by customer rate schedule according to equal percentage of margin for natural gas utilities and equal cents per kilowatt-hour for electric utilities, unless otherwise authorized by the Commission.

(e) Each balancing account must accrue interest at the Commission-authorized rate for deferred accounts. For purposes of calculating interest, the amount of the difference calculated in this section of the rule will be deemed to be added to the balancing account on January 1 of the year following the tax year.

(f) The automatic adjustment clause must not operate in a manner that allocates to customers any portion of the benefits of deferred taxes resulting from accelerated depreciation or other tax

treatment of utility investment or regulated affiliate investment required to ensure compliance with the normalization method of accounting or any other requirements of federal tax law.

(g) By ~~October 15~~, 2006, each utility must seek a Private Letter Ruling from the Internal Revenue Service on whether the utility's compliance with Senate Bill 408, this rule, or any other relevant guidance or authorities would cause the utility to fail to comply with federal normalization requirements or other requirements of federal tax law. While a utility's request for a Private Letter Ruling is pending, or a related Revenue Ruling is pending, no rate adjustment will be implemented, but interest will accrue according to subsection (9)(e) of this rule on the amount of any rate adjustment determined by the Commission pursuant to subsections (8)(b) and (8)(c) of this rule. The utility may make adjustments to its compliance filings required under this rule necessary to minimize the risk of violations of the normalization method of accounting.

(10) No later than 30 days following the Commission's findings in section (8) of this rule, any person may file to terminate the automatic adjustment clause on the basis that it would result in a material adverse effect on customers. In the event of a filing under this section, the applicable rate adjustment will not be implemented until the Commission makes its determination. If the Commission decides against termination, interest will accrue according to subsection (9)(e) of this rule on the final amount of the rate adjustment. The person filing the claim will bear the burden of proof to substantiate the claim.

(11) At any time, a utility may file a claim that a rate adjustment under the automatic adjustment clause violates ORS 756.040 or other applicable law. Within 120 days following any such filing, the Commission will hold a hearing and make a determination of whether a rate adjustment under the automatic adjustment clause would result in the claimed violation. In the event of a filing under this section, the applicable rate adjustment will not be implemented until the Commission makes its determination. If the Commission decides against termination of the automatic adjustment clause, interest will accrue according to subsection 9(e) of this rule on the final amount of rate adjustment. In making a determination regarding a potential violation of ORS 756.040, the Commission will perform an earnings review using the utility's results of operations report for the applicable tax year. The utility filing the claim will bear the burden of proof to substantiate the claim.

(12) The Commission may disclose, or any intervenor in a utility tax report proceeding may obtain and disclose, the amount by which the amount of taxes that units of government received from the utility or from the affiliated group differs from the amount of costs for taxes collected, directly or indirectly, as part of rates paid by customers, including whether the difference is positive or negative. The Commission will not disclose or authorize disclosure of any information that is exempt from disclosure under the Public Records Law (ORS 192.410-192.505).

Stat. Auth.: ORS Ch. 183, 756, 757 & 759

Stats. Implemented: ORS 756.040, 756.060, 757.267 & 757.268

[Hist.: PUC 5-2005(Temp), f. & cert. ef. 9-15-05 thru 3-13-06]

FEDERAL APPORTIONMENT METHOD CALCULATION

STATE APPORTIONMENT METHOD CALCULATION

LOCAL CALCULATION

FEDERAL TAX CAP

STATE TAX CAP

Step 1

Adjusted Federal Consolidated Tax

Federal Consolidated Tax Before Credits

Less: Current Tax on Non-Oregon Regulated Entities

Less: Current Tax on PacifiCorp Non-Oregon Regulated Operations

Less: Tax Credits Attributable to PacifiCorp Oregon Regulated Operations

Addback: Imputed Tax Benefit of Charitable Contributions not Attributable to PacifiCorp Oregon Regulated Operations

Addback: Imputed Tax Benefit of Depreciation on Disallowed Capital Costs

Adjusted Federal Consolidated Tax Before Credits

Step 2

PacifiCorp Oregon Regulated Operations

Modified Consolidated Federal Taxpayer

Factor

Gross

Weighting

Net

Total Gross Owned and Rented Property

Total Wages and Salaries

Total Sales and Other Receipts

Apportionment Percentage - PacifiCorp Oregon Regulated Operations

Adjusted Federal Consolidated Tax Before Credits

Properly Attributed Federal Tax Before Adjustments - PacifiCorp Oregon Regulated Operations

Federal Deferred Tax for PacifiCorp Oregon Regulated Operations Only

Addback: Imputed Tax Benefit of Charitable Contributions Attributable to PacifiCorp Oregon Regulated Operations Only

Addback: Tax Credits Attributable to PacifiCorp Oregon Regulated Operations Only

Properly Attributed Federal Tax

Step 1

Adjusted Oregon Unitary Tax

State Effective Tax Rate Used in Setting Rates

Oregon Statutory Tax Rate

Adjusted Oregon Statutory Tax Rate

Oregon Unitary Tax Before Credits

Adjusted Oregon Unitary Tax Before Credits

Less: Tax Credits Attributable to PacifiCorp Oregon Regulated Operations

Addback: Imputed Tax Benefit of Charitable Contributions not Attributable to PacifiCorp Oregon Regulated Operations

Addback: Imputed Tax Benefit of Depreciation on Disallowed Capital Costs

Adjusted Oregon Unitary Tax

Step 2

PacifiCorp Oregon Regulated Operations

Unitary Taxpayer Oregon Only

Factor

Gross

Weighting

Net

Total Gross Owned and Rented Property

Total Wages and Salaries

Total Sales and Other Receipts

Oregon Apportionment Percentage

Adjusted Oregon Unitary Tax

Properly Attributed State Tax Before Adjustments

Addback: Oregon Deferred Tax for PacifiCorp Oregon Regulated Operations Only

Addback: Imputed Tax Benefit of Charitable Contributions Attributable to PacifiCorp Oregon Regulated Operations Only

Addback: Tax Credits Attributable to PacifiCorp Oregon Regulated Operations Only

Properly Attributed State Tax

Step 1

Properly Attributed Local Tax

Multnomah County Gross Income - PacifiCorp Regulated Operations

Total Multnomah County Business Gross Income

Multnomah County Apportionment Percentage

Total Multnomah County Business Income Tax

Properly Attributed Local Tax

Step 2

PacifiCorp Oregon Regulated Operations

PacifiCorp Total Regulated Operations

Factor

Gross

Weighting

Net

Total Gross Owned and Rented Property

Total Wages and Salaries

Total Sales and Other Receipts

Apportionment Percentage - PacifiCorp Oregon Regulated Operations

Properly Attributed Current Federal Tax Cap - Total PacifiCorp Regulated Operations

Properly Attributed Federal Tax Cap Before Adjustments - PacifiCorp Oregon Regulated Operations

Federal Deferred Tax for PacifiCorp Oregon Regulated Operations Only

Addback: Imputed Tax Benefit of Charitable Contributions Attributable to PacifiCorp Oregon Regulated Operations Only

Addback: Tax Credits Attributable to PacifiCorp Oregon Regulated Operations Only

Properly Attributed Federal Tax Cap

Step 1

Properly Attributed State Tax Cap

PacifiCorp Total Regulated Operations Oregon Standalone Tax Liability

Less: Imputed Negative Tax Liability from the Sum Total of All Loss Companies in the Oregon Unitary Group

Properly Attributed State Tax Cap Before Adjustments - PacifiCorp Oregon Regulated Operations

Oregon Deferred Tax for PacifiCorp Oregon Regulated Operations Only

Addback: Imputed Tax Benefit of Charitable Contributions Attributable to PacifiCorp Oregon Regulated Operations Only

Addback: Tax Credits Attributable to PacifiCorp Oregon Regulated Operations Only

Properly Attributed State Tax Cap

Total Properly Attributed Federal Tax

Total Properly Attributed State Tax

Total Properly Attributed Federal and State Taxes Paid***

Properly Attributed Local Taxes Paid

Apportionment Method

Tax Cap

210

106

316

18

*** Properly Attributed Federal and State Tax Paid is derived as the greater of the aggregate amounts calculated in the Federal and State Apportionment Method Calculations or the aggregate amounts calculated in the Federal and State Tax Caps.

FEDERAL APPORTIONMENT METHOD CALCULATION

Step 1

Adjusted Federal Consolidated Tax

3,505

Less: Tax Credits Attributable to PacifiCorp Oregon Regulated Operations.....

(4)

Addback: Deferred Tax on Non-Oregon Regulated Entities.....

1,500

Addback: Deferred Tax on PacifiCorp Non-Oregon Regulated Operations.....

1,000

Addback: Imputed Tax Benefit of Charitable Contributions not Attributable to PacifiCorp Oregon Regulated Operations.....

1

Addback: Imputed Tax Benefit of Depreciation on Disallowed Capital Costs.....

3

Adjusted Federal Consolidated Tax Before Credits

6,005

Step 2

PacifiCorp Oregon Regulated Operations

Consolidated Federal Taxpayer

Factor

Gross

Weighting

Net

Total Gross Owned and Rented Property

4,500

300,000

1.50%

X 0.3333

0.50%

Total Wages and Salaries

200

8,000

2.50%

X 0.3333

0.83%

Total Sales and Other Receipts

1,000

80,000

1.25%

X 0.3333

0.42%

Appportionment Percentage - PacifiCorp Oregon Regulated Operations

1.75%

Properly Attributed Current Federal Tax - Total PacifiCorp Regulated Operations.....

6,005

Properly Attributed Federal Tax - PacifiCorp Oregon Regulated Operations

105

Addback: Federal Deferred Tax for PacifiCorp Oregon Regulated Operations Only.....

100

Addback: Imputed Tax Benefit of Charitable Contributions Attributable to PacifiCorp Oregon Regulated Operations Only.....

1

Addback: Tax Credits Attributable to PacifiCorp Oregon Regulated Operations Only.....

4

Properly Attributed Federal Tax

210

STATE APPORTIONMENT METHOD CALCULATION

Step 1

Adjusted Oregon Unitary Tax

4.84%

Oregon Statutory Tax Rate.....

6.60%

Adjusted Oregon Statutory Tax Rate

73.33%

Oregon Unitary Tax Before Credits.....

125

Adjusted Oregon Unitary Tax Before Credits

92

Less: Tax Credits Attributable to PacifiCorp Oregon Regulated Operations.....

(5)

Addback: Deferred Tax on Non-Oregon Regulated Entities.....

1

Addback: Imputed Tax Benefit of Charitable Contributions not Attributable to PacifiCorp Oregon Regulated Operations.....

1

Addback: Imputed Tax Benefit of Depreciation on Disallowed Capital Costs.....

1

Adjusted Oregon Unitary Tax

90

Step 2

PacifiCorp Oregon Regulated Operations

Unitary Taxpayer Oregon Only

Factor

Gross

Weighting

Net

Total Gross Owned and Rented Property

4,500

5,000

90.00%

X 0.3333

30.00%

Total Wages and Salaries

200

250

80.00%

X 0.3333

26.66%

Total Sales and Other Receipts

1,000

1,250

80.00%

X 0.3333

26.66%

Oregon Apportionment Percentage

83.32%

Properly Attributed Current State Tax - Total PacifiCorp Regulated Operations.....

90

Properly Attributed Current State Tax

75

Addback: Oregon Deferred Tax for PacifiCorp Oregon Regulated Operations Only.....

25

Addback: Imputed Tax Benefit of Charitable Contributions Attributable to PacifiCorp Oregon Regulated Operations Only.....

1

Addback: Tax Credits Attributable to PacifiCorp Oregon Regulated Operations Only.....

5

Properly Attributed State Tax

106

LOCAL CALCULATION

Properly Attributed Local Tax

110

Multnomah County Gross Income - PacifiCorp Regulated Operations.....

125

Total Multnomah County Business Gross Income.....

88.00%

Total Multnomah County Business Income Tax.....

20

Properly Attributed Local Tax

18

FEDERAL TAX CAP

Step 1

Properly Attributed Federal Tax Cap

160

Less: Imputed Negative Tax Liability from the Sum Total of All Loss Companies in the Federal Consolidated Group.....

(25)

Properly Attributed Federal Tax Cap for Total PacifiCorp Regulated Operations

135

Step 2

PacifiCorp Oregon Regulated Operations

PacifiCorp Total Regulated Operations

Factor

Gross

Weighting

Net

Total Gross Owned and Rented Property

4,500

16,000

28.13%

X 0.3333

9.38%

Total Wages and Salaries

200

500

40.00%

X 0.3333

13.33%

Total Sales and Other Receipts

1,000

3,000

33.33%

X 0.3333

11.11%

Apportionment Percentage - PacifiCorp Oregon Regulated Operations

33.82%

Properly Attributed Current Federal Tax Cap - Total PacifiCorp Regulated Operations.....

135

Properly Attributed Federal Tax Cap - PacifiCorp Oregon Regulated Operations

46

Addback: Federal Deferred Tax for PacifiCorp Oregon Regulated Operations Only.....

100

Addback: Imputed Tax Benefit of Charitable Contributions Attributable to PacifiCorp Oregon Regulated Operations Only.....

1

Addback: Tax Credits Attributable to PacifiCorp Oregon Regulated Operations Only.....

4

Properly Attributed Federal Tax Cap

151

STATE TAX CAP

Properly Attributed State Tax Cap

75

Less: Imputed Negative Tax Liability from the Sum Total of All Loss Companies in the Oregon Unitary Group.....

(5)

Properly Attributed State Tax Cap for Total PacifiCorp Regulated Operations

70

Addback: Oregon Deferred Tax for PacifiCorp Oregon Regulated Operations Only.....

25

Addback: Imputed Tax Benefit of Charitable Contributions Attributable to PacifiCorp Oregon Regulated Operations Only.....

1

Addback: Tax Credits Attributable to PacifiCorp Oregon Regulated Operations Only.....

5

Properly Attributed State Tax Cap

101

TOTAL

Apportionment Method

Tax Cap

Total Properly Attributed Federal Tax

210

151

Total Properly Attributed State Tax

106

101

Total Properly Attributed Federal and State Taxes Paid***

316

252

Properly Attributed Local Taxes Paid

18

*** Properly Attributed Federal and State Tax Paid is derived as the greater of the aggregate amounts calculated in the Federal and State Apportionment Method Calculations or the aggregate amounts calculated in the Federal and State Tax Caps.