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February 7, 2011

Via FedEx and Electronic

Public Utility Commission
Attn: Filing Center
550 Capitol St. NE #215
P.O. Box 2148
Salem OR 97308-2148

Re: In the Matter of OREGON PUBLIC UTILITY STAFF Requesting the Commission direct PACIFICORP, dba PACIFIC POWER & LIGHT COMPANY, to file tariffs establishing automatic adjustment clauses under the terms of SB 408.
Docket No. UE 177

Dear Filing Center:

Some of the documents enclosed are Highly Confidential and should be taken to the Salem Safe Room upon receipt.

Enclosed please find an original and six (6) copies of the Written Objections of the Industrial Customers of Northwest Utilities to the Stipulation, and an original and six (6) copies of the Highly Confidential Direct Testimony and Exhibits for Ellen Blumenthal on behalf of the Industrial Customers of Northwest Utilities ("ICNU") in the above-referenced docket. Please also find one (1) Highly Confidential CD containing the electronic copies of the testimony and exhibits, and three (3) Highly Confidential CDs containing the workpapers of Ellen Blumenthal.

Pursuant to the Protective Order, Order No. 06-033, in this docket and clarification by the OPUC, service copies of the Highly Confidential testimony and exhibits are being provided to the Portland Safe Room only. All parties wishing to view these versions must visit the Portland Safe Room.

Please return one file-stamped copy of the Highly Confidential Direct Testimony in the self-addressed, stamped envelope provided.

Thank you for your assistance, and please do not hesitate to contact our office if you have any questions.

Sincerely yours,

/s/ Sarah A. Kohler
Sarah A. Kohler

Enclosure

cc: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing Written Objections and Direct Testimony of Ellen Blumenthal on behalf of the Industrial Customers of Northwest Utilities upon the parties, on the service list, by causing the same to be deposited in the U.S. Mail, postage-prepaid, where paper service has not been waived.

Dated at Portland, Oregon, this 7th day of February, 2011.

/s/ Sarah A. Kohler
Sarah A. Kohler

CITIZENS' UTILITY BOARD OF OREGON (W) ROBERT JENKS G. CATRIONA MCCrackEN GORDON FEIGHNER JOHN STURM 610 SW BROADWAY STE 308 PORTLAND OR 97205 catriona@oregoncub.org gordon@oregoncub.org bob@oregoncub.org john@oregoncub.org	DANIEL W MEEK 10949 SW 4TH AVE PORTLAND OR 97219 dan@meeK.net
DEPARTMENT OF JUSTICE JASON W JONES REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 jason.w.jones@state.or.us	KAFOURY & MCDUGAL LINDA K WILLIAMS 10266 SW LANCASTER RD PORTLAND OR 97219-6305 linda@lindawilliams.net
MCDOWELL RACKNER & GIBSON PC AMIE JAMIESON KATHERINE A MCDOWELL PORTLAND SAFE ROOM 520 SW SIXTH AVE STE 830 PORTLAND OR 97204 amie@mcd-law.com katherine@mcd-law.com	PACIFICORP dba PACIFIC POWER (W) OREGON DOCKETS 825 NE MULTNOMAH ST STE 2000 PORTLAND OR 97232 oregondockets@pacificorp.com
OREGON PUBLIC UTILITY COMMISSION (W) CARLA BIRD PO BOX 2148 SALEM OR 97308-2148 carla.bird@state.or.us	PACIFIC POWER & LIGHT (W) JOELLE STEWARD 825 NE MULTNOMAH ST STE 2000 PORTLAND OR 97232 joelle.steward@pacificorp.com
PUBLIC UTILITY COMMISSION OF OREGON (W) DEBORAH GARCIA PO BOX 2148 SALEM OR 97308-2148 deborah.garcia@state.or.us	

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UE 177(4)**

In the Matter of)	
)	
OREGON PUBLIC UTILITY STAFF)	
)	WRITTEN OBJECTIONS OF THE
Requesting the Commission Direct)	INDUSTRIAL CUSTOMERS OF
)	NORTHWEST UTILITIES TO
PACIFICORP)	THE STIPULATION
(dba PACIFIC POWER & LIGHT)	
COMPANY))	
)	
To File Tariffs Establishing Automatic)	
Adjustment Clauses Under the Terms of)	
SB 408.)	

On January 14, 2011, PacifiCorp, the Public Utility Commission of Oregon (“OPUC” or “Commission”) Staff, and the Citizens’ Utility Board of Oregon (“CUB”) filed a Stipulation in Re PacifiCorp, Docket No. UE 177(4) (“Stipulation”). The Stipulation resolves certain matters related to PacifiCorp’s 2009 Tax Report. Pursuant to OAR § 860-001-0350(8), the Industrial Customers of Northwest Utilities (“ICNU”) submits its written objections to the Stipulation, along with the testimony of ICNU’s expert witness, Ellen Blumenthal, in support of ICNU’s objections to the Stipulation.

I. SUMMARY OF THE SETTLEMENT STIPULATION

The Stipulation is divided into two parts. Staff, PacifiCorp and CUB join in Part 1 of the Stipulation, and only Staff and PacifiCorp join in Part 2 of the Stipulation. ICNU did not join in any part of the Stipulation and opposes the Stipulation.

Part 1 of the Stipulation requires a rule change to OAR § 860-022-0041(4)(d) so that the deferred tax floor does not apply to taxes paid determined under the standalone method. The Commission will initiate a temporary rulemaking proceeding to amend the rule, and subsequently initiate a permanent rulemaking proceeding. Based on the assumption that the deferred tax floor rule is amended, the parties agree that PacifiCorp's taxes paid are determined by the standalone method and will be adjusted to include renewable adjustment clause deferrals in taxes authorized to be collected in rates. Stipulation at 4. The parties further agree that after the issuance of the revision to the deferred tax floor rule, PacifiCorp will file a revised 2009 Tax Report which reflects the rule change.

Part 1 of the Stipulation recommends a surcharge of \$13.47 million for federal and state taxes and a refund of \$86,932 for local taxes. Id. at 5. The interest on the surcharge and refund amounts will reflect the Blended Treasury Rate. During the deferral and amortization periods, the estimated amount of surcharge plus interest is \$15.77 million for federal and state taxes and the estimated refund plus interest is \$101,739 for local taxes. Id. at 5.

Part 2 of the Stipulation provides that PacifiCorp will seek a Private Letter Ruling ("PLR") from the Internal Revenue Service ("IRS") regarding whether the revision to OAR § 860-022-0041(4)(d) will cause a normalization violation. Pending the rulemaking and a favorable PLR from the IRS, PacifiCorp will file an application for deferral of the difference between the surcharge produced by the deferred tax floor (\$27.3 million) and the surcharge calculated assuming the rule change (\$13.47 million). Id. at 7. The difference is \$13.83 million, and if the rule change does not occur or if PacifiCorp does not obtain a favorable PLR, Staff has

agreed to support PacifiCorp's request to amortize the deferral balance plus accrued interest. Id. at 7-8.

II. ICNU'S OBJECTIONS TO THE SETTLEMENT STIPULATION

Regarding Part 1 of the Stipulation, ICNU agrees with Staff, PacifiCorp and CUB that OAR § 860-022-0041(4)(d) should be amended. In light of the fact that the proposed rule revision allows PacifiCorp to collect a surcharge of \$13.7 million despite having effectively paid no taxes for its Oregon regulated operations, ICNU urges the Commission to consider further revisions to the rules implementing SB 408. Exhibit A (PacifiCorp FERC Form No. 1, Statement of Income, lines 15 and 16, dated April 14, 2010).

ICNU objects to Part 2 of the Stipulation in its entirety. The normalization provisions of the Code are clear and straightforward: the taxes paid by utility customers must be calculated using straight-line depreciation. ICNU/100, Blumenthal/10. The proposed rule change will not result in a normalization violation, and it is unnecessary for PacifiCorp to obtain a PLR. Further, based on ICNU's contention that PacifiCorp is not entitled to a surcharge as described in Part 1 of the Stipulation, ICNU objects to PacifiCorp's proposal to request deferral of the surcharge difference of \$13.83 million if the rule change does not occur or if the PLR is not favorable to PacifiCorp. Thus, ICNU's expert witness does not believe a PLR is necessary, and accordingly the deferral with interest is also unnecessary.

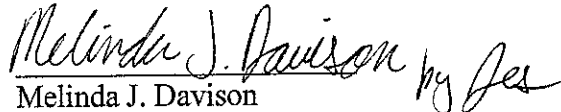
III. CONCLUSION

For the foregoing reasons, ICNU objects to the Stipulation. ICNU respectfully requests that the Commission reject any stipulation which allows for PacifiCorp to collect a

surcharge when it effectively did not pay any taxes. The rule changes should take the facts present in this proceeding into consideration and be rewritten to prevent this result.

Dated this 7th day of February, 2011.

Respectfully submitted,

 *Melinda J. Davison* by *Jes*

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Of Attorneys for the Industrial Customers of
Northwest Utilities

EXHIBIT A
STATEMENT OF INCOME

STATEMENT OF INCOME

Quarterly

1. Report in column (c) the current year to date balance. Column (c) equals the total of adding the data in column (g) plus the data in column (i) plus the data in column (k). Report in column (d) similar data for the previous year. This information is reported in the annual filing only.
2. Enter in column (e) the balance for the reporting quarter and in column (f) the balance for the same three month period for the prior year.
3. Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in column (k) the quarter to date amounts for other utility function for the current year quarter.
4. Report in column (h) the quarter to date amounts for electric utility function; in column (j) the quarter to date amounts for gas utility, and in column (l) the quarter to date amounts for other utility function for the prior year quarter.
5. If additional columns are needed, place them in a footnote.

Annual or Quarterly if applicable

5. Do not report fourth quarter data in columns (e) and (f)
6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility column in a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.
7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

Line No.	Title of Account (a)	(Ref.) Page No. (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
1	UTILITY OPERATING INCOME					
2	Operating Revenues (400)	300-301	4,353,766,380	4,494,585,986		
3	Operating Expenses					
4	Operation Expenses (401)	320-323	2,279,099,664	2,593,626,077		
5	Maintenance Expenses (402)	320-323	394,816,343	374,652,182		
6	Depreciation Expense (403)	336-337	473,163,461	416,636,387		
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337				
8	Amort. & Depl. of Utility Plant (404-405)	336-337	32,391,772	40,332,443		
9	Amort. of Utility Plant Acq. Adj. (406)	336-337	5,479,353	5,479,353		
10	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)		5,149,968	5,107,035		
11	Amort. of Conversion Expenses (407)					
12	Regulatory Debits (407.3)		1,549,004	7,057,628		
13	(Less) Regulatory Credits (407.4)					
14	Taxes Other Than Income Taxes (408.1)	262-263	123,877,487	112,424,490		
15	Income Taxes - Federal (409.1)	262-263	472,156,577	-83,683,183		
16	- Other (409.1)	262-263	-2,026,201	-8,319,652		
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	1,368,522,890	669,322,953		
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	688,511,583	356,785,266		
19	Investment Tax Credit Adj. - Net (411.4)	266	-1,874,204	-1,874,204		
20	(Less) Gains from Disp. of Utility Plant (411.6)					
21	Losses from Disp. of Utility Plant (411.7)					
22	(Less) Gains from Disposition of Allowances (411.8)		3,790,891	4,889,027		
23	Losses from Disposition of Allowances (411.9)					
24	Accretion Expense (411.10)					
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		3,515,690,486	3,769,087,216		
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117, line 27		838,075,894	725,498,770		

Name of Respondent
PacifiCorp

This Report Is:
(1) An Original
(2) A Resubmission

Date of Report
(Mo, Da, Yr)
04/14/2010

Year/Period of Report
End of 2009/Q4

STATEMENT OF INCOME FOR THE YEAR (Continued)

9. Use page 122 for important notes regarding the statement of income for any account thereof.
10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases.
- 11 Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.
12. If any notes appearing in the report to stockholders are applicable to the Statement of Income, such notes may be included at page 122.
13. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes.
14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.
15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		Line No.
Current Year to Date (in dollars) (g)	Previous Year to Date (in dollars) (h)	Current Year to Date (in dollars) (i)	Previous Year to Date (in dollars) (j)	Current Year to Date (in dollars) (k)	Previous Year to Date (in dollars) (l)	
4,353,766,380	4,494,585,986					2
						3
2,279,099,664	2,593,626,077					4
394,816,343	374,652,182					5
473,163,461	416,636,387					6
						7
32,391,772	40,332,443					8
5,479,353	5,479,353					9
5,149,968	5,107,035					10
						11
1,549,004	7,057,628					12
						13
123,877,487	112,424,490					14
-472,156,577	-83,683,183					15
-2,026,201	-8,319,652					16
1,368,522,890	669,322,953					17
688,511,583	356,785,266					18
-1,874,204	-1,874,204					19
						20
						21
3,790,891	4,889,027					22
						23
						24
3,515,690,486	3,769,087,216					25
838,075,894	725,498,770					26

Name of Respondent PacifiCorp	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 04/14/2010	Year/Period of Report 2009/Q4
FOOTNOTE DATA			

Schedule Page: 114 Line No.: 6 Column: c

Vehicle depreciation is charged to functional accounts. The following table summarizes the vehicle depreciation expense that was charged to the functional accounts.

	Years Ended December 31,	
	2009	2008
Vehicle Depreciation	\$ 13,886,246	\$ 13,465,822

Schedule Page: 114 Line No.: 7 Column: c

PacifiCorp records the depreciation expense of asset retirement obligations as either a regulatory asset or liability.

Schedule Page: 114 Line No.: 14 Column: c

Payroll taxes are charged to functional accounts, which is consistent with where labor is charged. The following table summarizes the payroll tax expense that was charged to the functional accounts.

	Years Ended December 31,	
	2009	2008
Payroll Tax Expense	\$ 38,397,330	\$ 37,428,777

Schedule Page: 114 Line No.: 15 Column: c

The credit reported in the current year tax expense is primarily attributable to a provision for net operating loss (tax basis) and tax credit carrybacks for the calendar year ended December 31, 2009. PacifiCorp's net operating loss (tax basis) for calendar year ended December 31, 2009 is primarily attributable to accelerated tax depreciation, tax bonus depreciation taken in excess of book depreciation, and repairs deduction.

Schedule Page: 114 Line No.: 15 Column: d

The credit reported in the prior year tax expense is primarily attributable to a provision for net operating loss (tax basis) and tax credit carrybacks for the calendar year ended December 31, 2008. PacifiCorp's net operating loss (tax basis) is primarily attributable to accelerated tax depreciation and tax bonus depreciation taken in excess of book depreciation.

Schedule Page: 114 Line No.: 16 Column: c

See footnote line 15, column c

Schedule Page: 114 Line No.: 16 Column: d

See footnote line 15, column d

Schedule Page: 114 Line No.: 24 Column: c

PacifiCorp records the accretion expense of asset retirement obligations as either a regulatory asset or liability.