



Portland General Electric Company
121 SW Salmon Street • Portland, Oregon 97204

December 30, 2005

U.S. MAIL / E-FILING

Judy Johnson
Program Manager
Electric & Natural Gas
Revenue Requirements
Oregon Public Utility Commission
550 Capitol Street, NE, Suite 215
P. O. Box 2148
Salem, OR 97301-2148

Re: Application for Reauthorization of Certain Deferred Accounts

PGE requests reauthorization of the ISFSI Tax Credit Deferral (OPUC Order 05-136) for December 31, 2005 to December 30, 2006.

PGE filed for permission to defer Independent Spent Fuel Storage Installation State Tax Credits. The deferral authorization period began December 30, 2004, with approval through OPUC Order No. 05-136.

If you have any questions, please call me at (503) 464-7251, or Patrick Hager at (503) 464-7580.

Sincerely,

/s/ Launa Harmon

Launa Harmon, Specialist
Rates & Regulatory Affairs

encls. Attachments A

cc: Jason Eisdorfer, CUB
cc: PUC.FilingCenter

UM-1186 (ISFSI Tax Credit Deferral)

1) *A description of the expense for which deferred accounting is being reauthorized.*

The ISFSI is a dry cask storage system, which provides storage for the spent nuclear fuel assemblies and radioactive waste generated at the Trojan plant during the years in which it produced energy. The Trojan plant is jointly owned by PGE, PacifiCorp, and the Eugene Water and Electric Board (EWEB).

On December 9, 2004 the Environmental Quality Commission (EQC) approved PGE's final certification of ISFSI expenditures and authorized the maximum amount of state tax credits totaling \$21.1 million (50% of PGE's share of the certified costs). The state tax credits are authorized for use on a straight-line basis over ten tax years and provide for carry-forward provisions that allow any particular tax year's provision to be postponed for up to three tax years.

For any tax year, the maximum Deferral Amount is \$2.25 million (\$21.1 million over ten years, after federal tax effect and using a Net to Gross Factor of 1.65%). For tax years during which PGE accrues less than the maximum provision of the ISFSI tax credit (\$2.1 million) because anticipated stand-alone state tax expense is less than \$2.1 million, PGE will calculate the Deferral Amount based on the actual ISFSI tax credit accrued.

The Oregon Public Utility Commission approved the deferral by Order No. 05-136 on March 15, 2005, beginning December 30, 2004.

2) *The reasons reauthorization of deferred accounting is being requested including reference to sections of ORS 757.259 under which deferral was authorized.*

PGE seeks approval of the Deferral Amount pursuant to ORS 757.259(2)(e). This deferral will minimize the frequency of rate changes and match appropriately the costs borne

by and benefits received by customers. PGE's customers have paid for the ISFSI project through their annual \$14.041 million contribution to the Trojan Nuclear Decommissioning Trust (NDT), and PGE has committed that customers should receive the benefits of these tax credits. In addition, the deferral will minimize the frequency of rate changes. Absent the deferral mechanism, PGE would seek changes in its base rates to reflect ISFSI tax credits in order to pass the credits to customers. Further, PGE may be required to seek changes every quarter as the expected amount of utilized ISFSI tax credits change. The deferral of these credits allows them to be accumulated for later customer refund.

3) *The accounts proposed for recording the deferrals.*

PGE proposes to record the deferral as a regulatory liability in FERC Account 254 (Other Regulatory Liabilities), debiting FERC Account 403.7 (Regulatory Debits). In the absence of a renewed deferred accounting order, PGE's net income would increase as a result of lower state tax expense as booked in FERC Account 409.1 (Income Taxes, Utility Operating Income) when the ISFSI tax credits are utilized.

PGE will accrue interest, as appropriate, on the Deferral Amount at PGE's authorized cost of capital, currently 9.083%.

4) *An estimate of the amounts to be recorded in the deferred accounts for the 12-month period subsequent to December 31, 2005.*

For December 31, 2005 through December 30, 2006, PGE estimates adding \$2.3 million to the deferred account if PGE earns adequate taxable income to use all the credits available.

The actual deferred amount may be more or less depending on PGE's state taxable income, actual tax expense and the provision for a three-year carry forward into future tax years.

5) *A description and explanation of the entries in the deferred accounts to the date of application for reauthorization (including balance).*

The estimated accrued balance as of December 31, 2005 is \$4,302,875, which reflects ISFSI tax credits used since December 30, 2004 and applicable interest.

6) *Reasons to continue deferred accounting.*

This deferral will minimize the frequency of rate changes and match appropriately the costs borne and benefits received by ratepayers. PGE customers have paid for the ISFSI project through their annual \$14.041 million contribution to the Trojan Nuclear Decommissioning Trust and PGE has committed that customers should receive the benefits of these tax credits. PGE will continue to use the deferred account as long as the balance remains unamortized and will request annual reauthorization as necessary.

7) *The number of the OPUC order providing the most recent authorization to use each deferred account.*

OPUC Order No. 05-136 authorizes PGE's accounting process for the ISFSI tax credit deferral.

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