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February 12, 2008

***VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY***

Oregon Public Utility Commission  
550 Capitol Street NE, Suite 215  
Salem, OR 97310-2551

Attn: Vikie Bailey-Goggins, Administrator  
Regulatory and Technical Support

Re: PacifiCorp's Rebuttal Testimony in Docket No. UE-177

Enclosed for filing is an original and five (5) copies of PacifiCorp's Rebuttal Testimony and Exhibits in Docket UE-177. Copies of this filing have also been served on the UE-177 Service List.

It is respectfully requested that all formal correspondence and Staff requests regarding this matter be addressed to:

By E-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

By Fax: (503) 813-6060

By regular mail: Data Request Response Center  
PacifiCorp  
825 NE Multnomah, Suite 2000  
Portland, OR 97232

Informal inquiries may be directed to Joelle Steward, Regulatory Manager, at (503) 813-5542.

Very truly yours,

Andrea L. Kelly  
Vice President, Regulation

Enclosures

cc. Service List for Docket No. UE-177

SERVICE LIST  
UE 177

I hereby certify that I have caused to be served PacifiCorp's Rebuttal Testimony and Exhibits in OPUC Docket No. UE-177 by electronic mail and overnight delivery to the parties on the attached service list.

Dated this 12<sup>th</sup> day of February, 2008.

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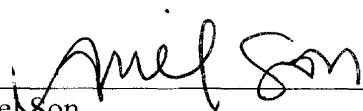
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**BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON**

**PACIFICORP**

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**Docket No. UE-177**

**Rebuttal Testimony and Exhibits**

**February 2008**



Case UE-177  
Exhibit PPL/100  
Witness: D. Douglas Larson

BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON

PACIFICORP

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**Rebuttal Testimony of D. Douglas Larson**

February 2008

1 **Q. Please state your name, title and business address.**

2 A. My name is D. Douglas Larson. I am the President of Larson Consulting  
3 Services, LLC, located at 2255 Tuweap Drive, Unit 17, St. George Utah 84770.  
4 Larson Consulting Services provides accounting, tax, financial planning and  
5 regulatory services.

6 **Qualifications**

7 **Q. Briefly describe your education and business experience.**

8 A. I graduated from Brigham Young University with a Bachelor of Science Degree in  
9 Accounting. In addition, I have also attended various educational, professional  
10 and electric-industry related seminars during my career. I am currently a licensed  
11 CPA in the State of Utah.

12 I joined PacifiCorp in 1981 in the Financial Accounting Department, held  
13 various accounting and regulatory positions and ultimately became Vice President  
14 of Regulation for PacifiCorp. In that capacity, I was responsible for the  
15 development and execution of regulatory policy throughout the Company. I  
16 retired from PacifiCorp on May 23, 2007 as Vice President of Rocky Mountain  
17 Power, a division of PacifiCorp. I have been employed by Larson Consulting  
18 Services since that time.

19 **Q. Do you have direct experience with ORS 757.267 and ORS 757.268, enacted  
20 in SB 408 in 2005?**

21 A. Yes. I have participated in all major Commission dockets addressing the  
22 implementation of SB 408, including AR 499 and AR 517, the Oregon Public  
23 Utility Commission (“Commission”) rulemakings on SB 408. I was also a

1 witness in PacifiCorp's UE 170 rate case, where the Commission imposed a tax  
2 adjustment under SB 408, and the reconsideration proceedings which followed  
3 this decision. After my retirement from PacifiCorp in May 2007, I have continued  
4 to work on SB 408 implementation issues as a consultant for the Company.

5 **Purpose of Testimony**

6 **Q. What is the purpose of your testimony in this proceeding?**

7 A. The purpose of my testimony is to sponsor PacifiCorp's Advice Filing 07-019 for  
8 PacifiCorp's SB 408 automatic adjustment clause tariff, Schedule 102. I explain  
9 the revisions to this filing made in response to the testimony of Carla Owings and  
10 Dustin Ball from Staff. In addition, my testimony provides context for the results  
11 of PacifiCorp's tax report and proposed SB 408 surcharge.

12 I also respond to the testimony of ICNU witness Ms. Ellen Blumenthal,  
13 objecting to PacifiCorp's SB 408 surcharge on the basis that it is derived from the  
14 application of Commission rules which do not properly implement SB 408. I  
15 respond to Ms. Blumenthal's contention that PacifiCorp's SB 408 surcharge  
16 should be rejected because ICNU was required to review PacifiCorp's tax report  
17 in a safe room. On both issues, Ms. Blumenthal's testimony rehashes arguments  
18 which the Commission has previously rejected—in some instances, multiple  
19 times.

20 **Summary of PacifiCorp's SB 408 Automatic Adjustment Clause Filing**

21 **Q. Please describe Advice Filing 07-019.**

22 A. On October 15, 2007, PacifiCorp filed Advice Filing 07-019 with Schedule 102,  
23 PacifiCorp's automatic adjustment clause tariff for income taxes. Advice

1 Filing 07-019 explained that: (1) as required by ORS 757.268 and OAR 860-022-  
2 0041, the purpose of Schedule 102 was to collect the difference between  
3 PacifiCorp's taxes collected and taxes paid reflected in PacifiCorp's 2006 tax  
4 report; (2) the shortfall in taxes collected was primarily the result of the  
5 Commission's adoption of an SB 408-related tax adjustment in PacifiCorp's UE  
6 170 rate case, which lowered PacifiCorp's taxes collected in rates in 2006 by  
7 approximately \$24 million; (3) to moderate the impact of the SB 408 surcharge,  
8 PacifiCorp proposed to amortize \$27 million of the surcharge through Schedule  
9 102 in 2008-09, deferring the rest of the surcharge to PacifiCorp's SB 408  
10 balancing account. OAR 860-022-0041(8)(c) gives the Commission discretion to  
11 set the amortization period for the surcharge.

12 **Q. Are you the PacifiCorp witness sponsoring Advice Filing 07-019?**

13 A. Yes. This filing is attached to my testimony as Exhibit PPL/101.

14 **Q. Please describe Schedule 102.**

15 A. Schedule 102, Income Tax Adjustment, creates a balancing account with interest  
16 for amounts required to be refunded or surcharged under ORS 757.268. The tariff  
17 proposes rates to be effective June 1, 2008, with revised rates to be effective June  
18 1<sup>st</sup> of each year thereafter, unless the Commission directs otherwise. The tariff  
19 rate is allocated by customer rate schedule on an equal cents per kilowatt-hour  
20 basis, as required by OAR 860-022-0041(8)(d).

21 **Q. Has the Commission adopted Schedule 102?**

22 A. Yes. On January 24, 2008 in Order No. 08-045, the Commission adopted  
23 Schedule 102, noting that the final structure and terms of the tariff were subject to



1 revision as determined in the final order in this docket.

2 **Q. Does the Company have updates to Advice Filing 07-019?**

3 A. Yes. As described in more detail in the testimony of Ryan Fuller, in response to  
4 the testimony and recommendations of Staff, PacifiCorp has revised its tax report.  
5 While one of Staff's revisions decreases PacifiCorp's SB 408 surcharge, the other  
6 increases it. The net result of these recommendations is a \$1.9 million increase in  
7 PacifiCorp's SB 408 surcharge from \$32.6 million to \$34.5 million. In response  
8 to this increase, PacifiCorp has not changed its proposed amortization level for the  
9 SB 408 surcharge in 2008-09 reflected in Schedule 102. Instead, the impact of the  
10 surcharge increase will be to raise the amount PacifiCorp will credit its SB 408  
11 balancing account from \$5.6 million, plus interest, to \$7.5 million, plus interest.

12 **Q. What is the interest accrual on the revised SB 408 surcharge amount?**

13 A. Following the interest calculation dictated by OAR 860-022-0041(8)(e), the  
14 interest on the revised SB 408 surcharge totals \$5.8 million. The total amount  
15 PacifiCorp proposes to credit to its balancing account including this charge is  
16 \$13.3 million. This total amount will continue to accrue interest in the balancing  
17 account under OAR 860-022-0041(8)(e) until it is fully amortized.

18 **Q. When does PacifiCorp propose to amortize the balance of the 2006 SB 408**  
19 **surcharge?**

20 A. PacifiCorp's amortization proposal for the balance of the 2006 SB 408 surcharge  
21 will be informed by the results of PacifiCorp's 2007 tax report. PacifiCorp  
22 intends to make a proposal for amortization of the surcharge balance in  
23 conjunction with the filing of PacifiCorp's 2007 tax report on October 15, 2008.

1 **Q. In a January 18, 2008 letter in this docket, ICNU raised an objection to**  
2 **PacifiCorp's amortization proposal. If ICNU persists with this objection,**  
3 **what is PacifiCorp's response?**

4 A. PacifiCorp designed its multi-year amortization proposal to limit its SB 408  
5 surcharge-related rate increase to approximately 3 percent. In making this  
6 proposal, PacifiCorp weighed the rate impact of collecting the full SB 408  
7 surcharge in one year (resulting in an overall increase of approximately 4 percent)  
8 against the accrual of additional interest on the unamortized surcharge  
9 (approximately \$1 million from June 1, 2008 through May 31, 2009). On balance,  
10 PacifiCorp concluded that the best approach was to amortize most but not all of  
11 the 2006 SB 408 surcharge in 2008-09. PacifiCorp does not object to a one-year  
12 amortization period, however, assuming the Commission finds that this is in the  
13 best interests of customers.

14 **Background on PacifiCorp's 2006 Tax Report**

15 **Q. Please summarize the results of PacifiCorp's 2006 tax report.**

16 A. As explained by Mr. Fuller, PacifiCorp's revised tax report demonstrates state and  
17 federal taxes paid of \$88.9 million. This result is based upon a stand alone  
18 calculation because the other two calculations, consolidated and apportionment  
19 method, produced higher results for 2006 than the stand alone calculation.  
20 PacifiCorp's taxes collected in rates totaled \$54.4 million, producing a SB 408  
21 surcharge of approximately \$34.5 million.

1 **Q. Are these results consistent with PacifiCorp's financial and regulatory**  
2 **circumstances in 2006?**

3 A. Yes. First, Berkshire Hathaway Inc., PacifiCorp's consolidated tax group for  
4 most of 2006, paid approximately \$4.4 billion in income taxes in 2006. Insofar as  
5 SB 408 was designed to provide rate refunds when a utility or its parent pays little  
6 or nothing in taxes, Berkshire Hathaway's huge consolidated tax payments in  
7 2006, which include 2006 taxes owed by PacifiCorp after March 21, 2006,  
8 rendered this policy goal inapplicable to PacifiCorp.

9 Second, because PacifiCorp's taxes collected in rates were artificially  
10 depressed by the \$24 million total tax adjustment imposed in UE 170, PacifiCorp  
11 collected only \$54.4 million in taxes in rates. This is considerably less than  
12 PacifiCorp's usual level of tax expense in rates.

13 Third, PacifiCorp's Oregon unadjusted results of operations for calendar  
14 year 2006 reflect an actual tax expense of \$79 million. See Excerpts from 2006  
15 Results of Operations attached as Exhibit PPL/102. After adding the \$8.5 million  
16 tax impact of the UE 170 adjustment to this amount to eliminate the adjustment's  
17 iterative effect, the results reflect tax expense of \$87.5 million. This number is in  
18 line with the taxes paid from PacifiCorp's tax report (it is slightly lower than the  
19 \$88.9 million taxes paid from PacifiCorp's revised tax report and slightly higher  
20 than the \$86.9 million in taxes paid from PacifiCorp's original tax report.)

1 **Response to ICNU's Testimony**

2 **Q. Please summarize ICNU's objections to PacifiCorp's proposed SB 408**  
3 **surcharge.**

4 A. While ICNU's basis for objecting to PacifiCorp's proposed SB 408 surcharge is  
5 not entirely clear, Ms. Blumenthal appears to make two primary arguments. The  
6 first is that PacifiCorp's tax report does not reflect an "actual tax" result (which  
7 Ms. Blumenthal defines according to standards from her home state of Texas)  
8 because it is based upon calculations under OAR 860-022-0041, "which are  
9 unnecessarily complicated and do not meet the goal of SB 408." ICNU/100,  
10 Blumenthal/3. Ms. Blumenthal's objection here is not that PacifiCorp's tax report  
11 fails to comply with the Commission's rules. Instead, she asserts the converse,  
12 which is that PacifiCorp's tax report is deficient because it is based upon OAR  
13 860-022-0041, which is itself non-compliant with SB 408.

14 ICNU's second argument is that PacifiCorp's tax report should be rejected  
15 because PacifiCorp required ICNU to fully abide by the terms of Protective Order  
16 No. 06-033 in its audit of the tax report.

17 **Q. Has ICNU raised any specific objections to the manner in which PacifiCorp's**  
18 **tax report was prepared or documented?**

19 A. No. ICNU has not raised any audit-type adjustments to PacifiCorp's tax report.  
20 Instead, ICNU makes policy level objections which are outside the scope of this  
21 automatic adjustment clause docket. ICNU's Issues List in this case clearly  
22 suggested that ICNU intended to conduct an audit for compliance with OAR 860-  
23 022-0041: "Did PacifiCorp properly follow the Commission's rules in calculating

1 its tax liability?" See ICNU Issues List attached as Exhibit PPL/103. However,  
2 now ICNU is faulting PacifiCorp's tax report precisely because it is compliant  
3 with OAR 860-022-0041.

4 **Q. To your knowledge, has ICNU previously objected to OAR 860-022-0041 on**  
5 **the basis that it does not produce a Texas-style "actual taxes" result?**

6 A. No. ICNU did not raise this issue in either of the two SB 408 rulemakings, AR  
7 499 and AR 517, although it actively participated in both dockets.

8 **Q. ICNU asserts that the October 15, 2007 tax report is the first opportunity for**  
9 **parties to understand how OAR 860-022-0041 operates in the context of a**  
10 **utility's actual tax report. Is this true?**

11 A. No. The 2005 tax reports filed by the utilities in October 2006 used the same  
12 three taxes paid methodologies from OAR 860-022-0041 to which ICNU now  
13 objects. The tax reports used the same general template from Staff that the  
14 utilities used this year, with real numbers and actual results. While the 2005 tax  
15 reports did not produce a rate change, they demonstrated exactly how the taxes  
16 paid methodologies would operate. ICNU was a party to the docket on  
17 PacifiCorp's 2005 tax report docket and actively participated in the case.

18 **Q. Has ICNU proposed an alternative methodology for determining taxes paid**  
19 **in this case?**

20 A. No. While ICNU claims that OAR 860-022-0041 is flawed, it admits that it has  
21 not developed an alternative formula for calculating taxes paid. See ICNU  
22 Response to PacifiCorp Data Request 1.13, attached as Exhibit PPL/104. Nor has  
23 ICNU developed an alternative result for that proposed by PacifiCorp. Thus,

1 ICNU's objection to OAR 860-022-0041 is not just irrelevant, untimely and  
2 selective, it is also incomplete.

3 **Q. What is ICNU's recommendation in this case?**

4 A. ICNU is recommending that the Commission delay or reject implementation of  
5 any rate change under PacifiCorp's automatic adjustment clause.

6 **Q. Can the Commission delay its ruling in this case?**

7 A. No. The current schedule in this case is tied to OAR 860-022-0041(7)(b), which  
8 requires the Commission to issue an order in this case within 180 days of the  
9 filing of the tax report. OAR 860-022-0041(8) requires an effective date of June 1  
10 for rate changes under the automatic adjustment clause. Additionally, the  
11 Commission has already approved Schedule 102 for rates effective on or after  
12 June 1, 2008.

13 **Q. Based upon the flaws ICNU alleges in OAR 860-022-0041, does ICNU  
14 propose that the Commission delay automatic adjustment clause rate  
15 changes for all utilities or just PacifiCorp?**

16 A. To my knowledge, based on public record, ICNU has proposed such delay solely  
17 for PacifiCorp:

18 "Ms. Blumenthal's recommendation that the Commission should  
19 not authorize tax surcharges or refunds for 2006 is limited to this  
20 Docket. Because Ms. Blumenthal is not allowed to have a copy of  
21 PacifiCorp's tax report, Ms. Blumenthal was unable to perform an  
22 alternative calculation. Therefore, because the accuracy of  
23 PacifiCorp's tax report could not be verified, in Ms. Blumenthal's  
24 opinion, the Commission has no basis to order a surcharge in this  
25 Docket." ICNU Response to PacifiCorp Data Request 1.17,  
26 attached as Exhibit PPL/105.

1 ICNU's position appears to be that implementation of rate changes under the  
2 automatic adjustment clause is dependent on whether a utility has enforced the  
3 terms of the Protective Order with ICNU, like PacifiCorp, or waived these terms,  
4 like PGE.

5 **Q. Please respond to ICNU's claims that the Commission should reject**  
6 **PacifiCorp's SB 408 surcharge because PacifiCorp refused to waive the**  
7 **terms of the Protective Order and provide ICNU with copies of its tax report**  
8 **and supporting work papers.**

9 A. ICNU's position that the Protective Order in the case is unworkable is the same  
10 one that the Commission has rejected in two previous orders.

11 **Q. How many times did ICNU visit the safe room or otherwise seek to review**  
12 **PacifiCorp's Highly Confidential documents?**

13 A. ICNU's expert visited the safe room three times in the first week of December  
14 2007. ICNU's counsel visited the safe room once in early January 2008. ICNU  
15 did not attend the workshops on PacifiCorp's tax report organized by Staff where  
16 PacifiCorp reviewed its tax report and work papers in detail with all parties  
17 present.

18 **Q. Why has PacifiCorp designated its tax report and the bulk of its work papers**  
19 **Highly Confidential and maintained these documents only in the safe rooms?**

20 A. PacifiCorp's tax report and most of its work papers reflect confidential tax data of  
21 the unregulated companies in the Berkshire Hathaway consolidated tax group  
22 (which has nearly 600 members) as well as PacifiCorp. Tax data can reveal  
23 information that is competitively sensitive, such as cost of goods, sales levels,

1 profit margins and other financial ratios. While disclosure of this information is  
2 most problematic for PacifiCorp's unregulated affiliates in the Berkshire  
3 Hathaway group, it is also of concern for PacifiCorp and its customers, given the  
4 competitive nature of wholesale power acquisition, mining and other utility  
5 operations.

6 **Q. Why did PacifiCorp redact information from its work papers?**

7 A. The tax data of the Berkshire Hathaway unregulated companies are highly  
8 confidential and not necessary to verify the tax report. SB 408 and the  
9 Commission rules only require that PacifiCorp provide the tax data necessary to  
10 verify the information in the tax report, which PacifiCorp did. To protect the  
11 highly confidential Berkshire Hathaway data and in recognition that the data are  
12 not necessary to verify the tax report, PacifiCorp redacted the unnecessary data  
13 from documents supplied in its work papers. While PacifiCorp realizes that  
14 auditing from redacted documents is more challenging than auditing from  
15 unredacted documents, the highly sensitive nature of the information involved  
16 required PacifiCorp to limit disclosure through redacted work papers.

17 **Q. Has PacifiCorp worked to accommodate ICNU's ability to audit its tax**  
18 **report?**

19 A. Yes. PacifiCorp timely filed its report due October 15, 2007, at which time copies  
20 were placed in the respective safe rooms in Portland and Salem. PacifiCorp made  
21 its tax expert freely available to ICNU to provide an overview of the tax report;  
22 supported ICNU's request for additional intervenor funding to allow ICNU to  
23 work with the Protective Order; allowed ICNU access to the safe room without



1 the required notice; and allowed ICNU to take notes in the safe room on a  
2 personal computer, maintain the confidentiality of these notes and remove these  
3 notes from the safe room.

4 **Q. Does this conclude your rebuttal testimony?**

5 A. Yes.



Case UE-177  
Exhibit PPL/101  
Witness: D. Douglas Larson

BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON

PACIFICORP

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Exhibit Accompanying Rebuttal Testimony of D. Douglas Larson

Advice Filing 07-019

February 2008

October 15, 2007

***VIA ELECTRONIC FILING AND  
OVERNIGHT DELIVERY***

PUC Filing Center  
Public Utility Commission of Oregon  
PO Box 2148  
Salem, OR 97308-2148

Attn: Vickie Bailey-Goggins, Administrator  
Regulatory and Technical Support

**Re: Advice Filing 07-019 (Docket No. UE 177)**  
Schedule 102 - Income Tax Adjustment

PacifiCorp submits for filing an original and five copies of the tariff sheets listed below. The company is requesting an effective date of June 1, 2008 for these tariff sheets. PacifiCorp makes this filing concurrently with the filing of its tax report for 2006 in Docket No. UE 177, pursuant to ORS 757.267 and 757.268 ("SB 408") and OAR 860-022-0041.

A. Tariff

PacifiCorp's tax report for 2006 reflects a difference between taxes authorized to be collected in rates and taxes paid of \$32.65 million. Under SB 408, this difference, plus interest, is to be collected as a surcharge through an automatic adjustment clause (AAC). ORS 757.268(6); OAR 860-022-0041(8)(e). To moderate the impact of this surcharge upon customers, PacifiCorp's proposed Schedule 102 limits the increase at this time to an overall average of three percent, which totals \$27 million. As noted below, this represents roughly the same amount as the Commission's adjustment in PacifiCorp's UE 170 rate case. The surcharge is allocated by customer rate schedule on an equal cents per kilowatt-hour basis, as required by OAR 860-022-0041(8)(d). PacifiCorp proposes to defer the portion of the surcharge not recovered by Schedule 102 to its SB 408 balancing account.

B. Background

PacifiCorp's shortfall in taxes collected is primarily a result of the Commission's adoption of an SB 408-related income tax adjustment in the UE 170 rate case while PacifiCorp was owned by ScottishPower. This adjustment initially lowered PacifiCorp's tax expense by \$26.6 million. *In re PacifiCorp*, Order No. 05-1050 (2005). In response to PacifiCorp's motion for reconsideration, the Commission reduced this adjustment to \$20.5 million in July 2006. *In re PacifiCorp*, Order No. 06-279 (2006). In total, the UE 170 adjustment lowered PacifiCorp's taxes collected in rates by \$24 million for 2006.

As the Commission has explained, the UE 170 adjustment “was based on PacifiCorp’s ... assumed continued ownership by ScottishPower.” Order No. 06-279 at 13. The Commission lowered PacifiCorp’s tax expense to align taxes collected in rates with the expectation that, under ScottishPower ownership, PacifiCorp’s consolidated tax group would pay reduced income taxes in 2006, lowering PacifiCorp’s taxes paid.

MidAmerican Energy Holdings Company (MEHC) acquired PacifiCorp on March 21, 2006. MEHC’s parent company is Berkshire Hathaway. Berkshire Hathaway’s consolidated tax group, of which both MEHC and PacifiCorp are members, paid approximately \$4.4 billion in income taxes in 2006.

In the UE 170 reconsideration order, the Commission “recognize[d] that [the] subsequent change in PacifiCorp’s ownership eliminated the basis for the future tax adjustment.” Order No. 06-279 at 13. The Commission also highlighted that the impact of the UE 170 tax adjustment on PacifiCorp was “limited” because “through [SB 408’s] true-up mechanism, PacifiCorp will have an opportunity to recover tax payments made after [January 1, 2006] that exceed the allowable expense in rates.” *Id.* at 16.

The need for this kind of true-up is unique to PacifiCorp, which is the only utility to have experienced an income tax disallowance in a rate case based on a forecast of SB 408’s impact in 2006. The situation is also unique to 2006 because PacifiCorp’s tax expense in rates for 2007 was restored to pre-UE 170 levels on January 1, 2007 under the Commission’s order adopting the UE 179 Stipulation. *In re PacifiCorp*, Order No. 06-530 (2006).

Another factor contributing to the surcharge results from the formula in SB 408 which fails to compare actual taxes paid with the actual amount recovered in rates for tax expense. This is the so-called “double whammy” effect that PacifiCorp unsuccessfully sought to correct in the 2007 Oregon legislative session.

### C. Proposed Amortization Schedule

Under OAR 860-022-0041(8)(c), the Commission has discretion to set the amortization period for a refund or surcharge under the AAC.

PacifiCorp proposes to amortize \$27 million of the surcharge related to 2006 taxes over a one-year period, which would result in a 3% increase in overall net rates. This is reflected in Schedule 102.

PacifiCorp proposes that the portion of the 2006 surcharge not recovered through Schedule 102 be deferred to PacifiCorp’s SB 408 balancing account where it will accrue interest at a rate equal to the weighted average cost of capital approved by the Commission in PacifiCorp’s most recent general rate case, Docket No. UE 179. In PacifiCorp’s October 15, 2008 SB 408 filing, PacifiCorp will include a proposal for further treatment of these deferred amounts and associated interest.

D. Proposed Procedural Schedule

For this filing, PacifiCorp proposes to follow the same general procedural process as was established last year in Docket UE 177. PacifiCorp proposes that parties to UE 177 first circulate issues lists and meet in an informal workshop to discuss any issues identified. If parties identify contested issues of fact, the parties can file testimony on these issues, beginning with direct testimony from PacifiCorp.

E. Tariff Sheets

The proposed tariff sheets are as follows:

Eighteenth Revision of Sheet No. 90	Schedule 90	Summary of Effective Rate Adjustments
Original Sheet No. 102	Schedule 102	Income Tax Adjustment
Twenty-fourth Revision of Sheet No. B-1		Tariff Index

F. Correspondence

It is respectfully requested that all formal correspondence and staff requests regarding this matter be addressed to:

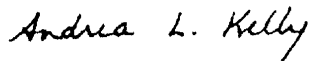
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Please direct informal correspondence regarding this filing to John Ryan at (503) 813-5601.

Very truly yours,



Andrea L. Kelly  
Vice President, Regulation  
Enclosures

cc: Service List

**CERTIFICATE OF SERVICE**

I certify that I have caused to be served the foregoing **Advice Filing 07-019 – Schedule 102 Income Tax Adjustment** in OPUC Docket Nos. UE 177 by electronic mail and U.S. mail to the parties listed below.

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DATED this 15th day of October, 2007.



Debbie DePetris

Supervisor, Regulatory Administration

Schedule 102 - Income Tax Adjustment

PACIFIC POWER & LIGHT COMPANY  
 ESTIMATED EFFECT OF PROPOSED PRICE CHANGE  
 ON REVENUES FROM ELECTRIC SALES TO ULTIMATE CONSUMERS  
 DISTRIBUTED BY RATE SCHEDULES IN OREGON  
 FORECAST 12 MONTHS ENDED DECEMBER 31, 2007

Line No.	Description	Sch No.	No. of Cust	MWh	Present Revenues (\$000)			Proposed Revenues (\$000)			Change				Rate Per kWh	Line No.
					Base Rates	Adders <sup>1</sup>	Net Rates	Base Rates	Adders <sup>1</sup>	Net Rates	Base Rates (\$000)	% <sup>2</sup>	Net Rates (\$000)	% <sup>2</sup>		
					(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)		
							(5) + (6)			(8) + (9)	(8) - (5)	(11)/(5)	(10) - (7)	(13)/(7)		
<b>Residential</b>																
1	Residential	4	467,946	5,423,448	\$443,679	\$5,978	\$449,657	\$443,679	\$16,771	\$460,450	\$0	0.0%	\$10,793	2.4%	0.199	1
2	Total Residential		467,946	5,423,448	\$443,679	\$5,978	\$449,657	\$443,679	\$16,771	\$460,450	\$0	0.0%	\$10,793	2.4%		2
<b>Commercial &amp; Industrial</b>																
3	Gen. Svc. < 31 kW	23	70,185	1,156,146	\$95,208	(\$5,665)	\$89,543	\$95,208	(\$3,364)	\$91,844	\$0	0.0%	\$2,301	2.6%	0.199	3
4	Gen. Svc. 31 - 200 kW	28	9,623	2,076,347	\$117,957	\$11,379	\$129,336	\$117,957	\$15,511	\$133,468	\$0	0.0%	\$4,132	3.2%	0.199	4
5	Gen. Svc. 201 - 999 kW	30	797	1,332,133	\$70,564	\$4,197	\$74,761	\$70,564	\$6,848	\$77,412	\$0	0.0%	\$2,651	3.6%	0.199	5
6	Large General Service >= 1,000 kW	48	222	3,116,066	\$139,791	(\$299)	\$139,492	\$139,791	\$5,902	\$145,693	\$0	0.0%	\$6,201	4.4%	0.199	6
7	Partial Req. Svc. >= 1,000 kW	47	8	208,767	\$9,912	(\$20)	\$9,892	\$9,912	\$396	\$10,308	\$0	0.0%	\$415	4.4%	0.199	7
8	Agricultural Pumping Service	41	6,240	108,189	\$11,092	(\$2,617)	\$8,475	\$11,092	(\$2,402)	\$8,690	\$0	0.0%	\$215	2.5%	0.199	8
9	Agricultural Pumping - Other	33	2,117	106,792	\$1,543	\$4	\$1,547	\$1,543	\$217	\$1,760	\$0	0.0%	\$213	13.7%	0.199	9
10	Total Commercial & Industrial		89,192	8,104,440	\$446,067	\$6,979	\$453,046	\$446,067	\$23,107	\$469,174	\$0	0.0%	\$16,128	3.6%		10
<b>Lighting</b>																
11	Outdoor Area Lighting Service	15	7,718	11,556	\$1,404	\$124	\$1,528	\$1,404	\$147	\$1,551	\$0	0.0%	\$23	1.5%	0.199	11
12	Street Lighting Service	50	317	11,406	\$1,213	\$112	\$1,325	\$1,213	\$134	\$1,347	\$0	0.0%	\$23	1.7%	0.199	12
13	Street Lighting Service HPS	51	660	15,575	\$2,663	\$232	\$2,895	\$2,663	\$263	\$2,926	\$0	0.0%	\$31	1.1%	0.199	13
14	Street Lighting Service	52	112	1,828	\$217	\$18	\$235	\$217	\$22	\$239	\$0	0.0%	\$4	1.6%	0.199	14
15	Street Lighting Service	53	229	8,459	\$525	\$55	\$580	\$525	\$72	\$597	\$0	0.0%	\$17	2.9%	0.199	15
16	Recreational Field Lighting	54	98	836	\$69	\$5	\$74	\$69	\$7	\$76	\$0	0.0%	\$2	2.2%	0.199	16
17	Total Public Street Lighting		9,134	49,660	\$6,091	\$545	\$6,636	\$6,091	\$644	\$6,735	\$0	0.0%	\$99	1.5%		17
18	Total Sales to Ultimate Consumers		566,272	13,577,548	\$895,837	\$13,503	\$909,340	\$895,837	\$40,522	\$936,359	\$0	0.0%	\$27,019	3.0%		18
19	Employee Discount			21,641	(\$438)	(\$4)	(\$442)	(\$438)	(\$15)	(\$453)	\$0		(\$11)			19
20	Total Sales with Employee Discount		566,272	13,577,548	\$895,399	\$13,499	\$908,898	\$895,399	\$40,507	\$935,906	\$0	0.0%	\$27,009	3.0%		20
21	AGA Revenue				\$1,554		\$1,554	\$1,554		\$1,554	\$0		\$0			21
22	Total Sales with Employee Discount and AGA		566,272	13,577,548	\$896,953	\$13,499	\$910,452	\$896,953	\$40,507	\$937,460	\$0	0.0%	\$27,009	3.0%		22

<sup>1</sup> Excludes effects of the BPA Energy Discount (Schedule 98), Low Income Bill Payment Assistance Charge (Schedule 91) and Public Purpose Charge (Schedule 290).

<sup>2</sup> Percentages shown for Schedules 48 and 47 reflect the combined rate change for both schedules



**Schedule No.**

A	Title Page
B-1	Tariff Index
B-1A	Tariff Index
B-2	Service Area Map - State of Oregon
B-3	Table of Contents - General Rules and Regulations
C-1-Y-4	General Rules and Regulations
	<b>DELIVERY SERVICE</b>
4	Residential Service
7	Residential Energy Efficiency Rider Optional For Income Qualifying Customers
9	Residential Energy Efficiency Rider – Optional Weatherization Services – No New Service
15	Outdoor Area Lighting Service - No New Service
23	General Service – Small Nonresidential
28	General Service – Large Nonresidential – 31 – 200 kW
30	General Service – Large Nonresidential – 201 – 999 kW
37	Avoided Cost Purchases from Qualifying Facilities of 10,000 kW or Less
38	Avoided Cost Purchases from Qualifying Facilities of Greater than 10,000 kW
41	Agricultural Pumping Service
47	Large General Service - Partial Requirements Service - 1,000 kW and Over
48	Large General Service - 1,000 kW and Over
50	Mercury Vapor Street Lighting Service - No New Service
51	High Pressure Sodium Vapor Street Lighting Service Company-Owned System
52	Street Lighting Service - Company-Owned System
53	Street Lighting Service - Consumer-Owned System
54	Recreational Field Lighting – Restricted
71	Energy Exchange Program
72	Irrigation Curtailment Program Rider
73	Large Customer Curtailment Option
74	Interruptible Tariff for Winter Peak – Experimental Electric Service Rider
76R	Large General Service/Partial Requirements Service – Economic Replacement Power Rider
115	Commercial and Industrial Energy Efficiency Retrofit Incentives – 20,000 Square Feet Or Less Optional For Qualifying Customers
116	Commercial and Industrial Energy Efficiency Retrofit Incentives Optional For Qualifying Customers
125	Commercial & Industrial Energy Services Optional For Qualifying Customers
135	Net Metering Optional for Qualifying Consumers
	<b>ADJUSTMENTS</b>
90	Summary of Effective Rate Adjustments
91	Low Income Bill Payment Assistance Fund
92	Klamath Rate Reconciliation Adjustment
93	Transaction and Deferred Tax Adjustment
97	Intervenor Funding Adjustment
98	Credit Associated with the Regional Power Act
101	Municipal Exaction Adjustment
102	Income Tax Adjustment

(N)

Issued:	October 15, 2007	P.U.C. OR No. 35
Effective:	With service rendered on and after June 1, 2008	Twenty-fifth Revision of Sheet No. B-1 Canceling Twenty-fourth Revision of Sheet No. B-1

Issued by  
Andrea L. Kelly, Vice President, Regulation

**PACIFIC POWER & LIGHT COMPANY**  
**SUMMARY OF EFFECTIVE RATE ADJUSTMENTS**

**OREGON**  
**SCHEDULE 90**

**Applicable**

The following summarizes the applicability of the Company's adjustment schedules

**SUMMARY OF EFFECTIVE RATE ADJUSTMENTS**

Schedule	91	92	93	97	98*	102	198	290	291	292	293	294	296	299
4	x	x	x	x	x	x	x	x	x					x
15	x	x	x		x	x	x	x		x		x		x
23	x	x	x		x	x	x	x		x		x		x
28	x	x	x		x	x	x	x			x	x	x	x
30	x	x	x		x	x	x	x			x	x	x	x
33	x			x	x	x		x				x		
41	x	x	x	x	x	x	x	x		x	x	x	x	x
47	x	x	x	x		x	x	x			x	x		x
48	x	x	x	x	x	x	x	x			x	x		x
50	x	x	x			x	x	x		x		x		x
51	x	x	x			x	x	x		x		x		x
52	x	x	x			x	x	x		x		x		x
53	x	x	x			x	x	x		x		x		x
54	x	x	x			x	x	x		x		x		x
723	x	x	x		x	x	x	x		x		x		x
728	x	x	x		x	x	x	x			x	x	x	x
730	x	x	x		x	x	x	x			x	x	x	x
741	x	x	x		x	x	x	x		x	x	x	x	x
747	x	x	x			x	x	x			x	x		x
748	x	x	x		x	x	x	x			x	x		x
751	x	x	x			x	x	x		x		x		x
752	x	x	x			x	x	x		x		x		x
753	x	x	x			x	x	x		x		x		x
754	x	x	x			x	x	x		x		x		x

(N)

(N)

\*For qualifying customers only

Issued:	October 15, 2007	P.U.C. OR No. 35
Effective:	With service rendered on or after June 1, 2008	Eighteenth Revision of Sheet No. 90 Canceling Seventeenth Revision of Sheet No. 90

Issued By  
 Andrea L. Kelly, Vice President, Regulation

**PACIFIC POWER & LIGHT COMPANY  
INCOME TAX ADJUSTMENT**

**OREGON  
SCHEDULE 102**  
Page 1

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**Purpose**

The purpose of this schedule is to implement the automatic adjustment required by ORS 757.268 and (N)  
implemented by the Commission in OAR 860-022-0041.

**Applicable**

To all bills for electric service calculated under all tariffs and contracts.

**Balancing Account**

If the Commission determines that an adjustment to rates is required under ORS 757.268, the Company will place the adjustment amount in a balancing account and file with the Commission to modify this adjustment schedule so as to credit or charge Consumers the amount in the balancing account.

Interest will accrue at an appropriate rate as determined by the Commission.

Unless otherwise ordered by the Commission, revised rates under this schedule will become effective June 1st of each year.

**Adjustment Rate**

The rate for all schedules is 0.199 ¢ per kWh. (N)

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Issued:	October 15, 2007	P.U.C. OR No. 35
Effective:	With service rendered on and after June 1, 2008	Original Sheet No. 102



Case UE-177  
Exhibit PPL/102  
Witness: D. Douglas Larson

BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON

PACIFICORP

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Exhibit Accompanying Rebuttal Testimony of D. Douglas Larson  
2006 Results of Operations Excerpts

February 2008

**Pacific Power  
RESULTS OF OPERATIONS**

USER SPECIFIC INFORMATION

STATE:	OREGON
PERIOD:	DECEMBER 2006
FILE:	JAM OR - Dec 2006
PREPARED BY:	Revenue Requirement Department
DATE:	2/8/2008
TIME:	11:03:25 AM
TYPE OF RATE BASE:	Beginning/Ending
ALLOCATION METHOD:	REVISED PROTOCOL
FERC JURISDICTION:	Separate Jurisdiction
8 OR 12 CP:	12 Coincidental Peaks
DEMAND %	75% Demand
ENERGY %	25% Energy

TAX INFORMATION

<u>TAX RATE ASSUMPTIONS:</u>	<u>TAX RATE</u>
FEDERAL RATE	35.00%
STATE EFFECTIVE RATE	4.54%
TAX GROSS UP FACTOR	1.657
FEDERAL/STATE COMBINED RATE	37.95%

CAPITAL STRUCTURE INFORMATION

	<u>CAPITAL STRUCTURE</u>	<u>EMBEDDED COST</u>	<u>WEIGHTED COST</u>
DEBT	47.56%	6.39%	3.040%
PREFERRED	0.93%	6.46%	0.060%
COMMON	51.51%	10.25%	5.280%
	<u>100.00%</u>		<u>8.380%</u>

OTHER INFORMATION

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RESULTS OF OPERATIONS SUMMARY

Description of Account Summary:		Ref	UNADJUSTED RESULTS			OREGON	ADJUSTMENTS	ADJ TOTAL
			TOTAL	OTHER	OREGON			
1	Operating Revenues							
2	General Business Revenues	2.3	2,847,007,473	2,023,829,926	823,177,547	79,252,199	902,429,746	
3	Interdepartmental	2.3	(7)	(7)	0	0	0	
4	Special Sales	2.3	750,904,692	537,262,005	213,642,687	344,533,017	558,175,704	
5	Other Operating Revenues	2.4	147,397,762	99,262,437	48,135,324	(11,181,239)	36,954,086	
6	Total Operating Revenues	2.4	3,745,309,919	2,660,354,360	1,084,955,559	412,603,977	1,497,559,536	
7								
8	Operating Expenses:							
9	Steam Production	2.5	740,727,406	534,888,408	205,838,999	17,987,900	223,826,898	
10	Nuclear Production	2.6	0	0	0	0	0	
11	Hydro Production	2.7	36,497,550	26,059,850	10,437,700	133,262	10,570,963	
12	Other Power Supply	2.9	925,911,510	727,051,115	198,860,394	411,703,684	610,564,078	
13	Transmission	2.10	136,930,481	97,848,371	39,082,111	2,112,377	41,194,488	
14	Distribution	2.12	218,820,422	149,731,086	69,089,336	(307,805)	68,781,531	
15	Customer Accounting	2.12	107,864,332	72,092,704	35,771,628	(489,451)	35,282,177	
16	Customer Service & Infor	2.13	52,739,370	48,790,990	3,948,380	(160,192)	3,788,188	
17	Sales	2.13	0	0	0	0	0	
18	Administrative & General	2.14	238,975,926	164,016,801	74,959,125	(14,980,529)	59,978,596	
19								
20	Total O & M Expenses	2.14	2,458,466,997	1,820,479,325	637,987,672	415,999,247	1,053,986,919	
21								
22	Depreciation	2.16	391,176,792	271,542,662	119,634,130	7,175,853	126,809,983	
23	Amortization	2.17	62,931,521	45,984,247	16,947,274	363,056	17,310,330	
24	Taxes Other Than Income	2.17	101,034,471	58,521,413	42,513,059	4,121,551	46,634,610	
25	Income Taxes - Federal	2.20	140,673,805	81,181,800	59,492,005 <sup>1/</sup>	(18,282,184)	41,209,821	
26	Income Taxes - State	2.20	17,210,408	9,933,418	7,276,990 <sup>1/</sup>	(2,036,372)	5,240,618	
27	Income Taxes - Def Net	2.19	27,178,051	14,968,830	12,209,220 <sup>1/</sup>	7,473,972	19,683,193	
28	Investment Tax Credit Adj.	2.17	(5,854,860)	(5,854,860)	0	0	0	
29	Misc Revenue & Expense	2.4	(15,439,233)	(11,278,126)	(4,161,108)	2,162,620	(1,998,488)	
30								
31	Total Operating Expenses	2.20	3,177,377,952	2,285,478,708	891,899,243	416,977,742	1,308,876,986	
32								
33	Operating Revenue for Return		567,931,967	374,875,652	193,056,315	(4,373,765)	188,682,550	
34								
35	Rate Base:							
36	Electric Plant in Service	2.30	14,745,911,135	10,342,610,225	4,403,300,910	264,893,315	4,668,194,225	
37	Plant Held for Future Use	2.31	3,283,901	2,987,037	296,864	(296,864)	0	
38	Misc Deferred Debits	2.33	112,065,538	74,367,031	37,698,507	14,115,058	51,813,565	
39	Elec Plant Acq Adj	2.31	80,044,642	57,153,188	22,891,454	0	22,891,454	
40	Nuclear Fuel	2.31	0	0	0	0	0	
41	Prepayments	2.32	29,605,268	20,846,813	8,758,455	0	8,758,455	
42	Fuel Stock	2.32	67,885,637	49,345,935	18,539,702	5,416,111	23,955,813	
43	Material & Supplies	2.32	123,572,819	85,553,996	38,018,824	0	38,018,824	
44	Working Capital	2.33	66,893,936	45,822,280	21,071,656	5,800,779	26,872,435	
45	Weatherization Loans	2.31	18,187,445	17,870,964	316,481	0	316,481	
46	Miscellaneous Rate Base	2.34	7,676,454	5,362,412	2,314,042	0	2,314,042	
47								
48	Total Electric Plant		15,255,126,775	10,701,919,881	4,553,206,894	289,928,399	4,843,135,293	
49								
50	Rate Base Deductions:							
51	Accum Prov For Depr	2.38	(5,801,309,811)	(4,030,001,475)	(1,771,308,336)	(2,276,983)	(1,773,585,319)	
52	Accum Prov For Amort	2.39	(372,108,846)	(258,775,034)	(113,333,813)	(181,528)	(113,515,340)	
53	Accum Def Income Taxes	2.35	(1,194,262,511)	(861,408,271)	(332,854,240)	(1,988,896)	(334,843,136)	
54	Unamortized ITC	2.35	(12,979,804)	(4,457,037)	(8,522,767)	0	(8,522,767)	
55	Customer Adv for Const	2.34	(8,446,845)	(5,445,566)	(3,001,279)	1,745,313	(1,255,966)	
56	Customer Service Deposits	2.34	0	0	0	0	0	
57	Misc. Rate Base Deductions	2.34	(92,950,646)	(65,088,884)	(27,861,762)	(10,908,279)	(38,770,041)	
58								
59	Total Rate Base Deductions		(7,482,058,464)	(5,225,176,268)	(2,256,882,196)	(13,610,374)	(2,270,492,570)	
60								
61	Total Rate Base		7,773,068,311	5,476,743,613	2,296,324,698	276,318,025	2,572,642,723	
62								
63	Return on Rate Base		7.306%		8.407%		7.334%	
64								
65	Return on Equity		8.166%		10.303%		8.220%	
66								
67	100 Basis Points in Equity:							
68	Revenue Requirement Impact		64,530,247		19,063,566		21,357,495	
69	Rate Base Decrease		(511,933,222)		(132,577,099)		(168,834,133)	

1/ Income Taxes - Federal, State, and Def Net (lines 25, 26, & 27) equal \$78,978,215.





Case UE-177  
Exhibit PPL/103  
Witness: D. Douglas Larson

BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON

PACIFICORP

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Exhibit Accompanying Rebuttal Testimony of D. Douglas Larson

ICNU Issues List

February 2008

# Davison Van Cleve PC

Attorneys at Law

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Suite 400  
333 S.W. Taylor  
Portland, OR 97204

December 19, 2007

*Via Electronic Mail*

Re: UE 177 Issues List

Dear Parties:

Pursuant to Administrative Law Judge Michael Grant's November 7, 2007 Prehearing Conference Memorandum, the Industrial Customers of Northwest Utilities submits the following issues list in Oregon Public Utility Commission (the "Commission") Docket No. UE 177. Due to the Protective Order issued in this Docket, ICNU has not had the opportunity to thoroughly review PacifiCorp's tax report. As a result, this list of issues is not exhaustive, and ICNU reserves the right to raise additional issues as they arise in these proceedings.

ICNU identifies the following issues:

- Should Schedule M items be included in the calculation of PacifiCorp's stand alone taxes?
- Should the interest on taxes assessed on an audit be included in the federal taxes paid by the federal taxpayer?
- Should the alternative minimum tax be included in the federal taxes paid by the federal taxpayer?
- Is it appropriate to prorate the annual tax items using time rather than actual results of operations?
- Is the amount on line 21, page 2B properly calculated?
- Did PacifiCorp properly follow the Commission's rules in calculating its tax liability?

- Did PacifiCorp properly calculate its taxes in light of the change in ownership?
- Did PacifiCorp properly include affiliate losses in the calculating its tax liability?

Sincerely yours,

/s/ Allen C. Chan  
Allen C. Chan



Case UE-177  
Exhibit PPL/104  
Witness: D. Douglas Larson

BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON

PACIFICORP

---

Exhibit Accompanying Rebuttal Testimony of D. Douglas Larson

ICNU's Response to PacifiCorp's Data Request No. 1.13

February 2008

**BEFORE THE  
PUBLIC UTILITY COMMISSION OF OREGON**

**DOCKET NO. UE 177**

**ICNU'S RESPONSE TO PACIFICORP'S DATA REQUEST NO. 1.13**

**Data Request No. 1.13:**

See ICNU/100, Blumenthal/3, lines 9-10; Blumenthal/5, lines 13-16.  
Please provide Ms. Blumenthal's exact formula for calculating "actual taxes paid."  
Please provide numerical examples using different financial scenarios.

**Response to Data Request No. 1.13:**

Ms. Blumenthal has not developed an exact formula for calculating actual taxes paid.



Case UE-177  
Exhibit PPL/105  
Witness: D. Douglas Larson

BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON

PACIFICORP

---

Exhibit Accompanying Rebuttal Testimony of D. Douglas Larson

ICNU's Response to PacifiCorp's Data Request No. 1.17

February 2008



**BEFORE THE  
PUBLIC UTILITY COMMISSION OF OREGON**

**DOCKET NO. UE 177**

**ICNU'S RESPONSE TO PACIFICORP'S DATA REQUEST NO. 1.17**

**Data Request No. 1.17:**

See ICNU/100, Blumenthal/3, lines 9-10. Ms. Blumenthal asserts that because the calculation methodologies required by OAR 860-022-0041 are not actual tax calculations, PacifiCorp's tax report based on this rule does not meet the requirements of SB 408 and the Commission should not authorize the tax surcharge reflected in the tax report. Because all of the utilities' tax reports have been filed under OAR 860-022-0041, is it Ms. Blumenthal's position that the Commission should authorize no tax surcharges or refunds for 2006? Please explain your response.

**Response to Data Request No. 1.17:**

Ms. Blumenthal's recommendation that the Commission should not authorize tax surcharges or refunds for 2006 is limited only to this Docket. Because Ms. Blumenthal is not allowed to have a copy of PacifiCorp's tax report, Ms. Blumenthal was unable to perform an alternative calculation. Therefore, because the accuracy of PacifiCorp's tax report could not be verified, in Ms. Blumenthal's opinion, the Commission has no basis to order a surcharge in this Docket. Furthermore, based on Ms. Blumenthal's work in the safe room, it is her opinion that the surcharge sought by PacifiCorp does not comply with SB 408.



Case UE-177  
Exhibit PPL/200  
Witness: Ryan R. Fuller

BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON

PACIFICORP

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**Rebuttal Testimony of Ryan R. Fuller**

February 2008

1 **Q. Please state your name, title and business address.**

2 A. My name is Ryan Fuller. I am employed as the Assistant Tax Director for  
3 PacifiCorp. My business address is 825 NE Multnomah St., Suite 1900, Portland,  
4 OR 97232.

5 **Qualifications**

6 **Q. Briefly describe your education and business experience.**

7 A. I graduated from the University of Idaho with a Bachelor of Science Degree in  
8 Accounting in 1997. I am a licensed CPA. I worked in public accounting for five  
9 years, first for Talbot, Korvola and Warwick LLP and then for  
10 PricewaterhouseCoopers LLP. I joined PacifiCorp in 2003 in the Financial  
11 Accounting Department. As Assistant Director of Tax for PacifiCorp, I am  
12 responsible for income tax accounting and audits.

13 **Q. Do you have direct experience with ORS 757.267 and ORS 757.268, enacted  
14 in SB 408 in 2005?**

15 A. Yes. I have participated in the major Commission dockets addressing the  
16 implementation of SB 408, including AR 499 and AR 517, the Oregon Public  
17 Utility Commission (“Commission”) rulemakings on SB 408.

18 **Purpose of Testimony**

19 **Q. What is the purpose of your testimony in this proceeding?**

20 A. The purpose of my testimony is to sponsor PacifiCorp’s tax report and supporting  
21 work papers. I explain the revisions to the tax report made in response to the  
22 testimony of Ms. Carla Owings and Mr. Dustin Ball from Staff.

23 I also respond to the testimony of ICNU witness Ms. Ellen Blumenthal,

1 objecting to PacifiCorp's SB 408 surcharge on the basis that it is derived from the  
2 application of Commission rules which do not properly implement SB 408. I  
3 discuss the untimely nature of ICNU's objection, in light of recent issuance of a  
4 Private Letter Ruling from the Internal Revenue Service opining that the  
5 Commission's methods for determining taxes paid do not violate normalization.  
6 I specifically respond to Ms. Blumenthal's inaccurate testimony regarding the  
7 taxes paid calculations required by OAR 860-022-0041.

### 8 **Summary of PacifiCorp's 2006 Tax Report**

9 **Q. Did you prepare PacifiCorp's 2006 tax report?**

10 A. Yes.

11 **Q. What were your objectives in preparing this report?**

12 A. I had two objectives in preparing PacifiCorp's 2006 tax report. The first was to  
13 ensure that the report complied in all respects with OAR 860-022-0041. The  
14 second was that the report be as accurate, complete and well-documented as  
15 possible.

16 **Q. Please describe the tax report.**

17 A. The tax report is 12 pages long and it uses the Staff tax report template. A blank  
18 copy of this template is attached to my testimony as Exhibit PPL/201. The Staff  
19 template is annotated with citations to OAR 860-022-0041, ensuring that the  
20 report fully adheres to all requirements of the rules. PacifiCorp's 2006 tax report  
21 provides numbers for all relevant sections of the tax report template.

22 In addition, PacifiCorp has provided work papers to support the tax report.

23 The work papers are organized by a tax report with notes that tie every number in

1 the tax report to a supporting work paper, calculation or other documentation.  
2 PacifiCorp's tax report and work papers consist of hundreds of pages of tax  
3 returns, spreadsheets and other data.

4 **Q. Are you the PacifiCorp witness sponsoring PacifiCorp's original and revised**  
5 **tax reports?**

6 A. Yes. These filings, which have previously been filed and delivered to the Salem  
7 safe room, are Highly Confidential Exhibits PPL/202 and PPL/203 to my  
8 testimony. PacifiCorp asks the Commission to incorporate these documents into  
9 the record by taking official notice of the set now on file with the Commission in  
10 the Salem safe room.

11 **Q. Did Staff conduct a full audit of PacifiCorp's tax report for compliance with**  
12 **OAR 860-022-0041?**

13 A. Yes. Staff's audit was comprehensive, including multiple workshops, discovery  
14 requests and follow-up communications. At the conclusion of this audit, Staff  
15 recommended only limited changes to PacifiCorp's tax report. Staff also  
16 identified certain issues which may impact future filings, but do not impact this  
17 tax report.

18 **Q. Did PacifiCorp provide all information necessary for the Commission to**  
19 **review and verify the results of the tax report?**

20 A. Yes. In addition to the work papers provided with the tax report, PacifiCorp  
21 provided information in response to Staff data requests. Staff completed its audit  
22 without any outstanding requests for information to PacifiCorp.

1 **Q. Did you meet with Staff and intervenors informally to explain PacifiCorp's**  
2 **tax report?**

3 A. Yes. I met with Staff and CUB to provide an overview of PacifiCorp's tax report.  
4 I also met informally with ICNU and offered to provide a similar overview, but  
5 ICNU declined this offer and ended the meeting early.

6 **Q. Did you revise the tax report to incorporate adjustments to it proposed by**  
7 **Staff as a result of its audit?**

8 A. Yes. PacifiCorp also agreed to work with Staff in workshops or through a  
9 rulemaking procedure to address the issues Staff raised for consideration in the  
10 future.

11 **Q. Please explain the tax report revisions.**

12 A. PacifiCorp made two revisions to the tax report to address the issues raised by  
13 Staff, both of which impact PacifiCorp's stand alone taxes paid calculation. First,  
14 as recommended by Staff, PacifiCorp recalculated the state apportionment factors  
15 used to allocate state stand-alone tax liability by removing depreciation associated  
16 with public utility property. This adjustment decreases PacifiCorp's taxes paid by  
17 approximately \$0.5 million.

18 Second, PacifiCorp originally calculated its interest expense using the  
19 amount of PacifiCorp's actual interest deduction. As recommended by Staff,  
20 PacifiCorp recalculated this amount using the interest synchronization method.  
21 This latter method is the method used in setting rates in rate cases. This  
22 adjustment increases PacifiCorp's taxes paid by approximately \$2.4 million.

23 Together, the adjustments net to a total increase in PacifiCorp's taxes paid of \$1.9

1 million.

2 **Q. Have you made any other changes or corrections to the tax report?**

3 A. No.

4 **Q. Please summarize the results of PacifiCorp's revised 2006 tax report.**

5 A. PacifiCorp's revised tax report demonstrates state and federal taxes paid of  
6 \$88.9 million based upon a stand alone calculation. PacifiCorp's taxes collected  
7 in rates totaled \$54.4 million, producing an SB 408 surcharge of approximately  
8 \$34.5 million.

9 **Response to ICNU's Testimony**

10 **Q. Has ICNU objected to PacifiCorp's SB 408 surcharge on the basis that the**  
11 **underlying Commission rule, OAR 860-022-0041, is flawed?**

12 A. Yes. ICNU has proposed that the Commission develop a new methodology for  
13 calculating PacifiCorp's taxes paid.

14 **Q. Among other concerns, does ICNU's position present a potentially significant**  
15 **problem in terms of implementing SB 408 in a manner that ensures against a**  
16 **normalization violation?**

17 A. Yes. The untimely nature of ICNU's objection to OAR 860-022-0041 is  
18 particularly problematic from this perspective. To ensure SB 408's  
19 implementation without a normalization violation, OAR 860-022-0041(8)(g)  
20 directs each of the utilities to submit a request for a Private Letter Ruling ("PLR")  
21 to the Internal Revenue Service. This rule also prohibits rate changes under an  
22 automatic adjustment clause while the PLR is pending.

23 The utilities each submitted individual PLR requests to the Internal



1 Revenue Service in December 2006. To ensure that the PLR requests remained  
2 factually sound with respect to the most current provisions of the Commission's  
3 rules, the PLR requests were amended in the fall of 2007 after the conclusion of  
4 the AR 517 rulemaking, which had produced several refinements to the rules.  
5 The requests specifically described the three methodologies for determining taxes  
6 paid and sought a ruling that each methodology was consistent with Internal  
7 Revenue Code normalization rules.

8 PacifiCorp received a positive ruling on its PLR request in January 2008,  
9 more than one year after its submission. This PLR is attached as confidential  
10 Exhibit PPL/204. The PLR significantly lowers the risk that rate changes under  
11 the automatic adjustment clauses will cause a violation of normalization, as long  
12 as the rate changes are based upon one of the taxes paid methodologies described  
13 in the PLR request. The Internal Revenue Service will honor its findings in the  
14 PLR only if the underlying facts upon which the Service relied remain unchanged  
15 (*i.e.*, a change in one or more taxes paid methodology or in some other key fact  
16 would invalidate the ruling).

17 Therefore, ICNU's proposal that the Commission develop a new approach  
18 to the calculation of taxes paid would void the protections otherwise provided in  
19 the recently issued PLR. As noted above, the PLR is expressly based upon the  
20 representations made about the current methodologies for calculating taxes paid.  
21 The process for obtaining a new PLR is complex and time-consuming and cannot  
22 even begin until the conclusion of a new rulemaking and the issuance of new  
23 rules. Thus, adoption of ICNU's position could delay for several years the

1 implementation of SB 408 for PacifiCorp.

2 **Q. Would the adoption of ICNU’s position also delay the implementation of SB**  
3 **408 for other utilities?**

4 A. Yes. All of the utilities received their PLRs based on the current rules. Any  
5 change to those rules would invalidate all of the PLRs and delay all of the rate  
6 changes. While PacifiCorp could still seek to collect its SB 408 surcharge  
7 through its pending petition for deferred accounting in UM 1229, such alternative  
8 recovery options may not be available for other utilities or their customers.

9 **Q. Is it certain that the utilities could obtain PLRs if the rules were rewritten to**  
10 **reflect a new taxes paid methodology?**

11 A. No. The PLR is qualified in its conclusions regarding the consolidated and  
12 apportionment methods. This underscores the need for careful and deliberate  
13 design of the methodologies for determining taxes paid and the challenges  
14 associated with securing another positive PLR.

15 **Q. Ms. Blumenthal claims that PacifiCorp’s stand alone calculation under OAR**  
16 **860-022-0041(2)(p) is flawed because, among other reasons, it is not based**  
17 **upon an actual tax return. ICNU/100, Blumenthal/6-7. Please respond.**

18 A. The premise of Ms. Blumenthal’s objection is that “an actual tax return already  
19 exists for the utility even if the utility is included in the consolidated return.” *Id.*  
20 Ms. Blumenthal claims that PacifiCorp’s stand alone tax calculation is  
21 unnecessarily complex because it begins with pre-tax book income, instead of  
22 using the tax return as the starting point for the calculation. Ms. Blumenthal also  
23 complains about the number of “Schedule M” adjustments included in

1 PacifiCorp’s work papers to reconcile book and tax income.

2 Ms. Blumenthal’s position is based on both an incorrect premise and a  
3 misreading of both the Oregon statute and the Commission’s rules. She overlooks  
4 a fundamental premise that the stand alone calculation – as specifically set forth in  
5 the rules - is designed to determine taxes paid for “Oregon regulated operations.”  
6 While PacifiCorp, as a legal entity and a subsidiary of Berkshire Hathaway Inc.,  
7 does indeed have an income tax return for 2006, PacifiCorp’s Oregon regulated  
8 operations do not, although they certainly flow into, and are part of the larger legal  
9 entity. Therefore, to properly allocate taxes to Oregon regulated operations,  
10 PacifiCorp appropriately began its stand alone calculation with its pre-tax book  
11 income from its unadjusted results for Oregon regulated operations. Then  
12 PacifiCorp applied its actual book-tax differences from its actual 2006 tax return  
13 to determine its taxable income. PacifiCorp thus used its actual tax return to the  
14 greatest extent possible in its stand alone tax calculation.

15 **Q. Ms. Blumenthal contends that PacifiCorp’s stand alone calculation does not**  
16 **produce a Texas-style “actual tax” number. Please respond.**

17 A. In discovery, Ms. Blumenthal clarified that, in her opinion, an “actual tax”  
18 calculation would include all income and expense items actually reported to the  
19 IRS, including deductions on disallowed costs. *See* ICNU Response to Data  
20 Request 1.12 and pages 4–5 of Attachment to Data Request 1.2, attached as  
21 Exhibit PPL/205. This approach espoused by Ms. Blumenthal—where the utility  
22 is allocated the tax benefit of deductions on disallowed costs—is apparently  
23 applied in Ms. Blumenthal’s home state of Texas and is based in part upon a

1 Texas statute. *Id.*

2 As just noted, PacifiCorp's stand alone calculation, as defined in Oregon  
3 rules, starts from the unadjusted pre-tax book income of Oregon regulated  
4 operations. Because PacifiCorp's unadjusted results include all costs assigned to  
5 regulated operations, whether recoverable or not, this calculation has the effect of  
6 capturing tax benefits on disallowed costs and thereby lowering PacifiCorp's  
7 taxes paid. While PacifiCorp questions the fairness of the Texas approach, the  
8 fact is that PacifiCorp's stand alone calculation incorporates for Oregon regulated  
9 operations all income and expenses reported to the Internal Revenue Service and  
10 tax benefits on disallowed costs.

11 **Q. Ms. Blumenthal complains that PacifiCorp's stand alone calculation is**  
12 **flawed because it uses the interest synchronization method. Please respond.**

13 A. Ms. Blumenthal incorrectly suggests that PacifiCorp used the interest  
14 synchronization method in its original tax report filing. PacifiCorp in fact used an  
15 actual interest calculation in its original tax report filing. In response to Staff's  
16 audit, PacifiCorp changed to the interest synchronization method in its revised tax  
17 report. PacifiCorp agreed to this change because it is based upon a reasonable  
18 interpretation of the applicable rule, and PacifiCorp came to understand that all of  
19 the other utilities, including PGE, used the interest synchronization method. This  
20 issue is discussed in Staff's Initial Findings, which were filed in mid-December.  
21 Prior to the filing of ICNU's testimony, ICNU never supported PacifiCorp's  
22 original approach or objected to Staff's proposal to use the interest  
23 synchronization. Nor to my knowledge has ICNU ever objected to PGE's use of

1 the interest synchronization method. This is another example of an untimely and  
2 selective objection from ICNU.

3 **Q. Ms. Blumenthal contends that the stand alone calculation improperly**  
4 **excludes a deduction for depreciation expense on a straight-line basis. Please**  
5 **respond.**

6 A. Ms. Blumenthal incorrectly asserts that depreciation expense is excluded from  
7 PacifiCorp's stand alone calculation. To protect against a normalization violation  
8 (and as acknowledged in the PLR), OAR 860-022-0041 isolates depreciation  
9 expense from the taxes paid calculation. Thus, the stand alone definition uses  
10 zero depreciation expense for public utility property to avoid double counting  
11 depreciation expense in the calculation. However, a review of pages 2 and 6 of  
12 the tax report template demonstrates that depreciation expense is properly  
13 reflected in the stand alone calculation.

14 **Q. Ms. Blumenthal alleges that "as long as PacifiCorp is owned by Berkshire**  
15 **Hathaway, the stand alone method will always produce the lowest dollar**  
16 **amount of the three methods set out in the rule." ICNU/100, Blumenthal/5.**  
17 **Do you agree with this statement?**

18 A. No. The methodology that will produce the lowest taxes paid number is a  
19 function of many different variables that could change from year to year. One of  
20 these variables is certainly the total taxes paid by the consolidated tax group. In a  
21 year like 2006 where the Berkshire Hathaway group paid over \$4 billion in taxes,  
22 it is likely that PacifiCorp's apportioned share of this total would be higher than  
23 its stand alone tax liability.

1           In a year where the Berkshire Hathaway group pays significantly less taxes  
2 because, for example, of losses in the insurance companies in the group due to  
3 major natural disasters or terrorist attacks, the dollar amount of PacifiCorp's  
4 apportioned share of the consolidated tax total could fall below its stand alone tax  
5 liability. For example, in 2001, Berkshire Hathaway suffered post 9/11 insurance  
6 company losses of \$2.4 billion. As a result, Berkshire Hathaway's current tax  
7 expense in 2001 (as disclosed in the company's 2001 Form 10-K) was only \$91  
8 million. In a grim financial scenario such as this, PacifiCorp's apportioned share  
9 of the consolidated group taxes could be significantly less than its stand alone  
10 taxes.

11           Other variables that could impact the result include changes in  
12 apportionment data in the group. If Berkshire Hathaway adds new companies to  
13 the consolidated group which have high property, wages and/or sales factors, or  
14 existing companies in the group increase their factors through their own growth or  
15 expansion, PacifiCorp's apportionment percentage could decline relative to other  
16 companies in the group.

17           These variables will also interact in any given year. For example, if  
18 Berkshire Hathaway's consolidated tax decreases in the same year that  
19 PacifiCorp's apportionment percentage declines, the apportionment method may  
20 produce a taxes paid number that is well below PacifiCorp's stand alone tax  
21 liability.

22           The unpredictability of the apportionment method and its clear potential to  
23 produce results well below the stand alone method created the need for the

1 Commission to design protections in its rules against arbitrarily low outcomes.  
2 Ms. Blumenthal's blanket prediction that the apportionment method will never  
3 apply to PacifiCorp is unsubstantiated and inconsistent with the lengthy analysis  
4 and public workshops that led to the final rules on the apportionment method.

5 **Q. Ms. Blumenthal alleges that "because PacifiCorp is in a capital intensive**  
6 **industry while most of the other entities in the consolidated group are not,**  
7 **[the apportionment] method will always allocate too much of the**  
8 **consolidated tax liability to PacifiCorp." Do you agree with this statement?**

9 A. No. First, Ms. Blumenthal's statement is unsubstantiated and she has produced no  
10 analysis or evidence in discovery to support her conclusion. See ICNU Response  
11 to Data Request 1.21 attached as Exhibit PPL/206. Berkshire Hathaway is a  
12 diverse group with many other capital intensive companies, such as those in the  
13 steel, aircraft and pipeline industries.

14 Second, the property factor is only one of three allocators used in the  
15 Commission's apportionment method and it accounts for only one-third of the  
16 allocation percentage. Thus, the capital intensive nature of PacifiCorp's business  
17 will not dictate its final apportionment percentage.

18 Third, Ms. Blumenthal's statement that the methodology will always  
19 allocate "too much" of the consolidated tax liability to PacifiCorp confirms that  
20 ICNU is focused more on results than methodology in this case.

21 **Q. Does this conclude your rebuttal testimony?**

22 A. Yes.





Case UE-177  
Exhibit PPL/201  
Witness: Ryan R. Fuller

BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON

PACIFICORP

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Exhibit Accompanying Rebuttal Testimony of Ryan R. Fuller  
Tax Template

February 2008

**PARTIAL YEAR SCHEDULE**

Tax Report pursuant to ORS 757.268 (Senate Bill 408)

**SUMMARY: Federal & State Income Taxes Paid and Properly Attributed to Regulated Operations of the Utility and Taxes Collected**

Line No.			
		<b>Federal and State Taxes Paid and Properly Attributed</b>	
1	<input type="text"/>	Federal and State Income Taxes: from page 5, line 33 (if SIT Or only) or page 6, line 33 (if SIT non-Or)	§ 4(d)
		<b>Federal and State Taxes Collected</b>	
2		Gross revenue (2)(n) / (2)(s)(A)(ii) - from rate case	§ 2(n), § 2(s)(A)(ii)
3		Pre-tax income (2)(i) / (2)(s)(A)(ii) - from general rate case	§ 2(i), § 2(s)(A)(ii)
4		Net to gross revenues (2)(s)(A)(ii) - line 3 divided by line 2	§ 2(s)(A)(ii)
5		State & Federal Income Taxes (including deferred) (2)(s)(A)(iii) - from general rate case	§ 2(s)(A)(iii)
6		Effective tax rate (2)(s)(A)(iii) - line 5 divided by line 3	§ 2(s)(A)(iii)
7	<input type="text"/>	Revenue collected (2)(n) / (2)(s)(A)(i)	§ 2(n), § 2(s)(A)(i)
8	<input type="text"/>	Net to gross ratio (2)(s)(A)(ii) - from line 4	§ 2(s)(A)(ii)
9	<input type="text"/>	Effective tax rate (2)(s)(A)(iii) - from line 6	§ 2(s)(A)(iii)
10	<input type="text"/>	(4)(e): Federal and State taxes authorized to be collected in rates - Product of lines 7, 8 and 9	§ 2(s)(A), § 4(e)
11	<input type="text"/>	(4)(f): Difference between Taxes Paid and Taxes Collected - Line 1 minus line 10	§ 4(f)

**SUMMARY: Local Income Taxes Paid and Properly Attributed to Regulated Operations of the Utility and Taxes Collected**

12	<input type="text"/>	Local Income Taxes Paid and Property Attributed: from page 8, line 25	§ 4(i)
13	<input type="text"/>	(2)(h)/(4)(k): Local Income Taxes Collected	§ 2(h), § 4(k)
14	<input type="text"/>	(4)(l): Difference between Taxes Paid and Taxes Collected - Line 12 minus line 13	§ 4(l)

Tax Year:   
 Period:

(Taxpayers that file a partial year consolidated federal income tax return in the Tax Year, must use a separate page for each fractional period and the data below must reflect the weighted average of the months in effect for the fractional period reported.)

§ 3(b)

**Federal Income Taxes Paid and Properly Attributed to Regulated Operations of the Utility**

Line No.

1	<input type="text"/>
2	<input type="text"/>
3	<input type="text"/>
4	<input type="text"/>
5	<input type="text"/>

Federal Income Taxes Paid by taxpayer  
 + Current Tax benefit (at statutory rates) of tax depreciation on all public utility property (PUP)  
 + Federal investment tax credits (ITCs) related to all public utility property  
 + Tax benefits from charitable contributions and IRC Section 45 renewable electricity production tax credits of federal taxpayer (except Oregon regulated operations)  
 Sum of lines 1 through 4

§ 3(a)(A)  
 § 3(a)(A)(i)  
 § 3(a)(A)(ii)  
 § 3(a)(A)(iii)

	Oregon Regulated Operations	Federal Taxpayer	Ratio
6	Total Gross Plant		
7	Total Wages & Salaries		
8	Total Sales and Other Receipts		
9	Average of ratios on lines 6 through 8		
10	3(a) result: Line 5 multiplied by line 9		

§ 3(a)(B)  
 § 3(a)

11	<input type="text"/>
12	<input type="text"/>

Proforma Federal stand-alone tax liability of Oregon regulated operations  
 Imputed negative tax of all income tax losses in federal taxpayer group plus current deduction of tax depreciation on PUP and federal ITCs related to PUP for loss entities

§ 3(b), § 2(p)  
 § 3(c)(A), 2(b)

	Oregon Regulated Operations	System Regulated Operations	Ratio
13	Total Gross Plant		
14	Total Wages & Salaries		
15	Total Sales and Other Receipts		
16	Average of ratios on lines 13 through 15		
17	Line 12 multiplied by line 16		
18	3(b) result: Sum of lines 11 and 17		

§ 3(b)(B)  
 § 3(b)(B)  
 § 3(b)

19	<input type="text"/>
20	<input type="text"/>
21	<input type="text"/>

4(c): Greater of lines 10 and 18  
 4(b) ORS 757.268(12)(a) cap: Line 11  
 4(a) ORS 757.268(12)(b) cap: Line 5

§ 3(b)  
 § 3(b)(A)  
 § 3(a) (refund portion only)

Tax Year:   
 Period:

(Taxpayers that file a partial year consolidated federal income tax return in the Tax Year, must use a separate page for each fractional period and the data below must reflect the weighted average of the months in effect for the fractional period reported.)

§ 5(b)

**Federal Income Taxes Paid and Properly Attributed to Regulated Operations of the Utility**

Line No.		
1	<input type="text"/>	Federal Income Taxes Paid by taxpayer
2	<input type="text"/>	+ Current Tax benefit (at statutory rates) of tax depreciation on all public utility property
3	<input type="text"/>	+ Federal investment tax credits related to all public utility property
4	<input type="text"/>	+ Tax benefits from charitable contributions and IRC Section 45 renewable electricity production tax credits of federal taxpayer (except Oregon regulated operations)
5	<input type="text"/>	Sum of lines 1 through 4

§ 5(A)  
 § 4(A)(1)  
 § 4(A)(2)  
 § 4(A)(3)

	Oregon Regulated Operations	Federal Taxpayer	Ratio
6	<input type="text"/>	<input type="text"/>	<input type="text"/>
7	<input type="text"/>	<input type="text"/>	<input type="text"/>
8	<input type="text"/>	<input type="text"/>	<input type="text"/>
9	Average of ratios on lines 6 through 8		
10	3(a) result: Line 5 multiplied by line 9		

§ 5(B)  
 § 5(a)

11	<input type="text"/>	Proforma Federal stand-alone tax liability of Oregon regulated operations
12	<input type="text"/>	Imputed negative tax of all income tax losses in federal taxpayer group plus current deduction of tax depreciation on PUP and federal ITCs related to PUP for loss entities

§ 5(b) 3.2(p)  
 § 5(A), 2(b)

	Oregon Regulated Operations	System Regulated Operations	Ratio
13	<input type="text"/>	<input type="text"/>	<input type="text"/>
14	<input type="text"/>	<input type="text"/>	<input type="text"/>
15	<input type="text"/>	<input type="text"/>	<input type="text"/>
16	Average of ratios on lines 13 through 15		
17	Line 12 multiplied by line 16		
18	3(b) result: Sum of lines 11 and 17		

§ 5(b) (B)  
 § 5(b)  
 § 3(b)

19	<input type="text"/>	4(c): Greater of lines 10 and 18
20	<input type="text"/>	4(b) ORS 757.268(12)(a) cap: Line 11
21	<input type="text"/>	4(a) ORS 757.268(12)(b) cap: Line 5

§ 3(b)  
 § 4(A)  
 § 4(a) (ref. portion only)

Tax Year:   
 Period:

(Taxpayers that file a partial year consolidated federal income tax return in the Tax Year, must use a separate page for each fractional period and the data below must reflect the weighted average of the months in effect for the fractional period reported.)

§ 5(b)

**State Income Taxes Paid and Properly Attributed to Regulated Operations of the Utility**  
 For utility with OREGON ONLY state income taxes in rates

Line No.

Oregon State Income Taxes Paid by unitary group  
 + Current Tax benefit (at state statutory rate) of apportioned tax depreciation on public utility property  
 + State tax benefits from charitable contributions of unitary group (except Oregon regulated operations)  
 Sum of lines 1 through 3

§ 3(a)

§ 3(a)(1)

§ 3(a)(2)

5   
 6   
 7

	Oregon Regulated Operations	State Unitary Taxpayer*	Ratio
Total Gross Plant			
Total Wages & Salaries			
Total Sales and Other Receipts			

\* adjusted to reflect amounts allocated to Oregon regulated operations

8   
 9

Average of ratios on lines 5 through 7  
 3(c) result: Line 4 multiplied by line 8

§ 3(b)

§ 3(b)

§ 3(c)

10   
 11   
 12

Proforma Oregon State stand-alone tax liability of Oregon regulated operations  
 Imputed negative tax of all income tax losses in Oregon unitary group plus current deduction of tax depreciation on PUP (at state statutory rate) for loss entities  
 3(d) result: Sum of lines 10 and 11

§ 3(d)

§ 3(a), 2(d)

13   
 14   
 15

4(c): Greater of lines 9 and 12  
 4(b) ORS 757.268(12)(a) cap: Line 10  
 4(a) ORS 757.268(12)(b) cap: Sum of lines 1 and 2

§ 4(c)

§ 4(b)

§ 4(a) (state portion only)

Tax Year:   
 Period:

(Taxpayers that file a partial year consolidated federal income tax return in the Tax Year, must use a separate page for each fractional period and the data below must reflect the weighted average of the months in effect for the fractional period reported.)

**State Income Taxes Paid and Properly Attributed to Regulated Operations of the Utility**  
 For utility with OREGON ONLY state income taxes in rates

Line No.

Oregon State Income Taxes Paid by unitary group

+ Current Tax benefit (at state statutory rate) of apportioned tax depreciation on public utility property  
 + State tax benefits from charitable contributions of unitary group (except Oregon regulated operations)  
 Sum of lines 1 through 3

	Oregon Regulated Operations	State Unitary Taxpayer*	Ratio
5	Total Gross Plant		
6	Total Wages & Salaries		
7	Total Sales and Other Receipts		

\* adjusted to reflect amounts allocated to Oregon regulated operations

Average of ratios on lines 5 through 7  
 3(c) result: Line 4 multiplied by line 8

Proforma Oregon State stand-alone tax liability of Oregon regulated operations  
 Imputed negative tax of all income tax losses in Oregon unitary group plus current deduction of tax depreciation on PUP (at state statutory rate) for loss entities  
 3(d) result: Sum of lines 10 and 11

4(c): Greater of lines 9 and 12  
 4(b) ORS 757.268(12)(a) cap: Line 10  
 4(a) ORS 757.268(12)(b) cap: Sum of lines 1 and 2

§ 3(c)(A)  
 § 3(c)(A)(i)  
 § 3(c)(A)(ii)

§ 3(e)(1)  
 § 3(e)(1)  
 § 3(e)

§ 3(d)(A)  
 § 3(d)(A)-2(a)

§ 3(d)  
 § 3(b)(1)  
 § 4(a) (state portion only)

Tax Year:   
 Period:

(Taxpayers that file a partial year consolidated federal income tax return in the Tax Year, must use a separate page for each fractional period and the data below must reflect the weighted average of the months in effect for the fractional period reported.)

**State Income Taxes Paid and Properly Attributed to Regulated Operations of the Utility**  
 For utility with NON-OREGON state income taxes in rates

Line No.

		Oregon income tax rate from GRC	Oregon statutory tax rate	Ratio
1	<input type="text"/>	Adjustment for state tax rate		
2	<input type="text"/>	Oregon State Income Taxes Paid by unitary group		
3	<input type="text"/>	Adjusted Taxes Paid by unitary group: Line 1 multiplied by line 2		
4	<input type="text"/>	+ Current Tax benefit (at state statutory rate) of apportioned tax depreciation on public utility property		
5	<input type="text"/>	+ Tax benefits from charitable contributions of unitary group (except Oregon regulated operations)		
6	<input type="text"/>	Sum of lines 3 through 5		
		Oregon Regulated Operations	State Unitary Taxpayer*	Ratio
7	<input type="text"/>	Total Gross Plant		
8	<input type="text"/>	Total Wages & Salaries		
9	<input type="text"/>	Total Sales and Other Receipts		
* adjusted to reflect amounts allocated to Oregon regulated operations				
10	<input type="text"/>	Average of ratios on lines 7 through 9		
11	<input type="text"/>	<b>3(c) result: Line 6 multiplied by line 10</b>		
12	<input type="text"/>	Alternative Calculation (One-time election with October 2006 tax report filing or change in ownership) Sum of state taxes paid in all jurisdictions (line 11 amount), using the formula on lines 1-11, with 100% on line 1, for each state.**		
		Oregon Regulated Operations	System Regulated Operations	Ratio
13	<input type="text"/>	Total Gross Plant		
14	<input type="text"/>	Total Wages & Salaries		
15	<input type="text"/>	Total Sales and Other Receipts		
16	<input type="text"/>	Average of ratios on lines 13 through 15		
17	<input type="text"/>	<b>Alternative 3(c) result: Line 12 multiplied by line 16</b>		
18	<input type="text"/>	Either line 11 or 17 (per election)		
19	<input type="text"/>	Total Proforma state stand-alone tax liability of System Regulated Operations**		
20	<input type="text"/>	Imputed negative tax of all income tax losses in Oregon unitary group plus current deduction of tax depreciation on PUP (at state statutory rate)** for loss entities		
21	<input type="text"/>	Sum of lines 19 and 20		
22	<input type="text"/>	Average of ratios on lines 13 through 15		
23	<input type="text"/>	<b>3(d) result: Line 21 multiplied by line 22</b>		
24	<input type="text"/>	<b>4(c) result: Greater of lines 18 and 23</b>		
		Taxable income of OR regulated oper.	Taxable income of System regulated	Ratio
25	<input type="text"/>	Ratio: taxable income		
26	<input type="text"/>	<b>4(b) ORS 757.268(12)(a) cap: Line 19 multiplied by line 25</b>		
27	<input type="text"/>	<b>4(a) ORS 757.268(12)(b) cap: Sum of lines 2 and 4 for all states**</b>		

\*\* show calculation separately for each state

Tax Year:   
 Period:

(Taxpayers that file a partial year consolidated federal income tax return in the Tax Year, must use a separate page for each fractional period and the data below must reflect the weighted average of the months in effect for the fractional period reported.)

§ 3(b)

**State Income Taxes Paid and Properly Attributed to Regulated Operations of the Utility**  
 For utility with NON-OREGON state income taxes in rates

Line No.

		Oregon income tax rate from GRC	Oregon statutory tax rate	Ratio
1	<input type="text"/>			
2	<input type="text"/>	Adjustment for state tax rate		
		Oregon State Income Taxes Paid by unitary group		
3	<input type="text"/>	Adjusted Taxes Paid by unitary group: Line 1 multiplied by line 2		
4	<input type="text"/>	+ Current Tax benefit (at state statutory rate) of apportioned tax depreciation on public utility property		
5	<input type="text"/>	+ Tax benefits from charitable contributions of unitary group (except Oregon regulated operations)		
6	<input type="text"/>	Sum of lines 3 through 5		

§ 3(c)(C)(i)  
 § 3(c)(A)  
 § 3(c)(C)(i)  
 § 3(c)(A)(i)  
 § 3(c)(A)(ii)

		Oregon Regulated Operations	State Unitary Taxpayer*	Ratio
7	<input type="text"/>	Total Gross Plant		
8	<input type="text"/>	Total Wages & Salaries		
9	<input type="text"/>	Total Sales and Other Receipts		

\* adjusted to reflect amounts allocated to Oregon regulated operations  
 Average of ratios on lines 7 through 9  
 3(c) result: Line 6 multiplied by line 10

§ 3(c)(B)  
 § 3(F)(F)  
 § 3(c)

Alternative Calculation (One-time election with October 2006 tax report filing or change in ownership)  
 Sum of state taxes paid in all jurisdictions (line 11 amount), using the formula on lines 1-11, with 100% on line 1, for each state.\*\*

§ 3(i)(C)  
 § 3(c)(C)(i)

		Oregon Regulated Operations	System Regulated Operations	Ratio
13	<input type="text"/>	Total Gross Plant		
14	<input type="text"/>	Total Wages & Salaries		
15	<input type="text"/>	Total Sales and Other Receipts		

Average of ratios on lines 13 through 15  
 Alternative 3(c) result: Line 12 multiplied by line 16  
 Either line 11 or 17 (per election)

§ 3(c)(C)(i)  
 § 3(c)(C)(ii)  
 § 3(c)(C)

Total Proforma state stand-alone tax liability of System Regulated Operations\*\*  
 Imputed negative tax of all income tax losses in Oregon unitary group plus current deduction of tax depreciation on PUP (at state statutory rate)\*\* for loss entities  
 Sum of lines 19 and 20  
 Average of ratios on lines 13 through 15  
 3(d) result: Line 21 multiplied by line 22

§ 3(d)(B)(i)  
 § 3(d)(B)(ii, 2(d))  
 § 3(d)(B)(ii)  
 § 3(d)

		Taxable income of OR regulated oper.	Taxable income of System regulated	Ratio
25	<input type="text"/>			
26	<input type="text"/>	Ratio: taxable income		
27	<input type="text"/>	4(b) ORS 757.268(12)(a) cap: Line 19 multiplied by line 25		
		4(a) ORS 757.268(12)(b) cap: Sum of lines 2 and 4 for all states**		

§ 3(a)  
 § 4(b)(C)(i)-(ii)  
 § 4(b)(C)  
 § 4(a) (state portion only)

\*\* show calculation separately for each state



Tax Year:

**Federal and State Income Taxes Paid and Properly Attributed to Regulated Operations of the Utility  
(assuming SIT OR only)**

Line No.			
1		<b>4(c): FIT (pages 2 line 19) plus SIT (pages 3 line 13)</b>	§ 4(c)
2		+ Tax savings from charitable contributions of Oregon regulated operations	§ 4(d)(A)
3		+ Tax credits associated with Oregon regulated operations for which expenditures not included in rates, + all other Oregon BETCs of unitary group	§ 4(d)(A), 4(d)(D)
4		+ Deferred taxes related to Oregon regulated operations, excluding deferred taxes related to depreciation of public utility property and any rate adjustment under this rule	§ 4(d)(A)
5		+ Deferred taxes related to depreciation of public utility property for Oregon regulated operations (including normalized excess deferred taxes)	§ 4(d)(A)
6		- Current Tax benefit related to tax depreciation of public utility property for Oregon regulated	§ 4(d)(B)
7		- Tax benefits from federal investment tax credits recognized in rates	§ 4(d)(C)
8		+/- iterative effect to extent not included in line 4	§ 4(d)(E)
9		<b>4(c)/4(d): Sum of lines 1 through 8</b>	§ 4(b)(d)
10		<b>4(b) ORS 757.268(12)(a) cap: FIT (pages 2 line 20) plus SIT (pages 3 line 14)</b>	§ 4(b)(A), (B)
11		+ Tax savings from charitable contributions of Oregon regulated operations	§ 4(d)(A)
12		+ Tax credits associated with Oregon regulated operations for which expenditures not included in rates, + all other Oregon BETCs of unitary group	§ 4(d)(A), 4(d)(D)
13		+ Deferred taxes related to Oregon regulated operations, excluding deferred taxes related to depreciation of public utility property and any rate adjustment under this rule	§ 4(d)(A)
14		+ Deferred taxes related to depreciation of public utility property for Oregon regulated operations (including normalized excess deferred taxes)	§ 4(d)(A)
15		- Current Tax benefit related to tax depreciation of public utility property for Oregon regulated	§ 4(d)(B)
16		- Tax benefits from federal investment tax credits recognized in rates	§ 4(d)(C)
17		+/- iterative effect to extent not included in line 13	§ 4(d)(E)
18		<b>4(b)/4(d): Sum of lines 10 through 17</b>	§ 4(b)(d)
19		<b>4(a) ORS 757.268(12)(b) cap: FIT (pages 2 line 21) plus SIT (pages 3 line 15)</b>	§ 4(a)
20		+ Tax savings from charitable contributions of Oregon regulated operations	§ 4(d)(A)
21		+ Tax credits associated with Oregon regulated operations for which expenditures not included in rates, + all other Oregon BETCs of unitary group	§ 4(d)(A), 4(d)(D)
22		+ Deferred taxes related to Oregon regulated operations, excluding deferred taxes related to depreciation of public utility property and any rate adjustment under this rule	§ 4(d)(A)
23		+ Deferred taxes related to depreciation of public utility property for Oregon regulated operations (including normalized excess deferred taxes)	§ 4(d)(A)
24		- Current Tax benefit related to tax depreciation of public utility property for Oregon regulated	§ 4(d)(B)
25		- Tax benefits from federal investment tax credits recognized in rates	§ 4(d)(C)
26		+/- iterative effect to extent not included in line 22	§ 4(d)(E)
27		<b>4(a)/4(d): Sum of lines 19 through 26</b>	§ 4(a)(d)
28		<b>Lowest of lines 9, 18 and 27</b>	§ 4(d)
		If line 28 is less than line 5, go to page 8	

Tax Year:

**Federal and State Income Taxes Paid and Property Attributed to Regulated Operations of the Utility  
(assuming SIT non-OR)**

Line No.			
1	<input type="text"/>	<b>4(c): FIT (pages 2 line 19) plus SIT Non-OR (pages 4 line 24) – APPORTIONMENT METHOD</b>	4(c)
2	<input type="text"/>	+ Tax savings from charitable contributions of Oregon regulated operations	4(d)(A)
3	<input type="text"/>	+ Tax credits associated with Oregon regulated operations for which expenditures not included in rates, + all other Oregon BETCs of unitary group	4(d)(A), 4(d)(D)
4	<input type="text"/>	+ Deferred taxes related to Oregon regulated operations, excluding deferred taxes related to depreciation of public utility property and any rate adjustment under this rule	4(d)(A)
5	<input type="text"/>	+ Deferred taxes related to depreciation of public utility property for Oregon regulated operations (including normalized excess deferred taxes)	4(d)(A)
6	<input type="text"/>	- Current Tax benefit related to tax depreciation of public utility property for Oregon regulated operations	4(d)(B)
7	<input type="text"/>	- Tax benefits from federal investment tax credits recognized in rates	4(d)(E)
8	<input type="text"/>	+/- iterative effect to extent not included in line 4	4(d)(D)
9	<input type="text"/>	<b>4(c)4(d): Sum of lines 1 through 8</b>	4(d)(D)
10	<input type="text"/>	<b>4(b) ORS 757.268(12)(a) cap: FIT (pages 2 line 20) plus SIT Non-OR (pages 4 line 26) – STANDALONE</b>	4(b)(A), (D)
11	<input type="text"/>	+ Tax savings from charitable contributions of Oregon regulated operations	4(d)(E)
12	<input type="text"/>	+ Tax credits associated with Oregon regulated operations for which expenditures not included in rates, + all other Oregon BETCs of unitary group	4(d)(A), 4(d)(D)
13	<input type="text"/>	+ Deferred taxes related to Oregon regulated operations, excluding deferred taxes related to depreciation of public utility property and any rate adjustment under this rule	4(d)(A)
14	<input type="text"/>	+ Deferred taxes related to depreciation of public utility property for Oregon regulated operations (including normalized excess deferred taxes)	4(d)(A)
15	<input type="text"/>	- Current Tax benefit related to tax depreciation of public utility property for Oregon regulated operations	4(d)(B)
16	<input type="text"/>	- Tax benefits from federal investment tax credits recognized in rates	4(d)(E)
17	<input type="text"/>	+/- iterative effect to extent not included in line 4	4(d)(D)
18	<input type="text"/>	<b>4(b)4(d): Sum of lines 10 through 17</b>	4(d)(D)
19	<input type="text"/>	<b>4(a) ORS 757.268(12)(b) cap: pages 2 line 21 plus pages 4 line 27 – CONSOLIDATED</b>	4(a)
20	<input type="text"/>	+ Tax savings from charitable contributions of Oregon regulated operations	4(d)(A)
21	<input type="text"/>	+ Tax credits associated with Oregon regulated operations for which expenditures not included in rates, + all other Oregon BETCs of unitary group	4(d)(A), 4(d)(D)
22	<input type="text"/>	+ Deferred taxes related to Oregon regulated operations, excluding deferred taxes related to depreciation of public utility property and any rate adjustment under this rule	4(d)(A)
23	<input type="text"/>	+ Deferred taxes related to depreciation of public utility property for Oregon regulated operations (including normalized excess deferred taxes)	4(d)(A)
24	<input type="text"/>	- Current Tax benefit related to tax depreciation of public utility property for Oregon regulated operations	4(d)(B)
25	<input type="text"/>	- Tax benefits from federal investment tax credits recognized in rates	4(d)(E)
26	<input type="text"/>	+/- iterative effect to extent not included in line 4	4(d)(D)
27	<input type="text"/>	<b>4(a)4(d): Sum of lines 19 through 26</b>	4(d)(D)
28	<input type="text"/>	<b>Lowest of lines 9, 18 and 27</b> If line 28 is less than line 5, go to page 8	4(d)

Tax Year:

Period:

(Taxpayers that file a partial year consolidated federal income tax return in the Tax Year, must use a separate page for each fractional period and the data below must reflect the weighted average of the months in effect for the fractional period reported.)

§ 5(b)

**Local Income Taxes Paid and Properly Attributed to Regulated Operations of the Utility**  
Calculate separately for each local taxing authority

Line No.

1	<input type="text"/>
2	<input type="text"/>
3	<input type="text"/>
4	<input type="text"/>

Local Income Taxes Paid by taxpayer  
 + Current Tax benefit of tax depreciation on public utility property  
 + Tax benefits of charitable contributions of taxpayer (except Oregon regulated operations)  
 Sum of lines 1 through 3

§ 3(e)(A)  
§ 3(e)(A)(i)  
§ 2(e)(A)(i)

		Oregon Regulated Operations	Taxpayer	Ratio
5	Gross income in local taxing authority	<input type="text"/>	<input type="text"/>	<input type="text"/>

6	<input type="text"/>
---	----------------------

Ratio on line 5

§ 3(e)(B)

7	<input type="text"/>
8	<input type="text"/>
9	<input type="text"/>

3(e)/4(i) result: Line 4 multiplied by line 6  
 4(h) ORS 757.268(12)(a) cap: Proforma local stand-alone tax liability of regulated operations  
 4(g) ORS 757.268(12)(b) cap: Sum of lines 1 and 2

§ 3(e), § 4(i)  
§ 4(h), 2(p)  
§ 4(g)

Tax Year:

Period:

(Taxpayers that file a partial year consolidated federal income tax return in the Tax Year, must use a separate page for each fractional period and the data below must reflect the weighted average of the months in effect for the fractional period reported.)

§ 5(b)

**Local Income Taxes Paid and Properly Attributed to Regulated Operations of the Utility**  
Calculate separately for each local taxing authority

Line No.

1  
2  
3  
4

Local Income Taxes Paid by taxpayer  
+ Current Tax benefit of tax depreciation on public utility property  
+ Tax benefits of charitable contributions of taxpayer (except Oregon regulated operations)  
Sum of lines 1 through 3

§ 3(e)(A)  
§ 3(e)(A)(i)  
§ 3(e)(A)(ii)

5  
6

	Oregon Regulated Operations	Taxpayer	Ratio
Gross income in local taxing authority			
Ratio on line 5			

§ 3(e)(B)

7  
8  
9

**3(e)/4(i) result: Line 4 multiplied by line 6**  
**4(h) ORS 757.268(12)(a) cap: Proforma local stand-alone tax liability of regulated operations**  
**4(g) ORS 757.268(12)(b) cap: Sum of lines 1 and 2**

§ 3(e), § 4(f)  
§ 4(h), 2(p)  
§ 4(g)

**Local Income Taxes Paid and Properly Attributed to Regulated Operations of the Utility**

Line No.			
1		<b>3(e)/4(i) result: Local IT page(s) line 7</b>	§ 2(e), § 4(i)
2		+ Local tax effect of tax savings from charitable contributions of Oregon regulated operations.	§ 4(f)(A)
3		+ Local tax effect of tax credits associated with Oregon regulated operations for which expenditures not included in rates.	§ 4(j)(A)
4		+ Local tax effect of deferred taxes related to Oregon regulated operations, excluding deferred taxes related to depreciation of public utility property and any rate adjustment under this rule	§ 4(j)(A)
5		+ Local tax effect of deferred taxes related to depreciation of public utility property for Oregon regulated operations.	§ 4(j)(A)
6		- Local tax effect of Current Tax benefit related to tax depreciation of public utility property for Oregon regulated operations.	§ 4(g)(B)
7		+/- iterative effect to extent not included in line 4	§ 4(j)(C)
8		<b>4(i)/4(j): Sum of lines 1 through 7</b>	§ 4(i), (j)
9		<b>4(h) ORS 757.268(12)(a) cap: Local IT page(s) line 8</b>	§ 4(f), 2(p)
10		+ Local tax effect of tax savings from charitable contributions of Oregon regulated operations.	§ 4(j)(A)
11		+ Local tax effect of tax credits associated with Oregon regulated operations for which expenditures not included in rates.	§ 4(j)(A)
12		+ Local tax effect of deferred taxes related to Oregon regulated operations, excluding deferred taxes related to depreciation of public utility property and any rate adjustment under this rule	§ 4(j)(A)
13		+ Local tax effect of deferred taxes related to depreciation of public utility property for Oregon regulated operations.	§ 4(j)(A)
14		- Local tax effect of Current Tax benefit related to tax depreciation of public utility property for Oregon regulated operations.	§ 4(g)(B)
15		+/- iterative effect to extent not included in line 12	§ 4(j)(C)
16		<b>4(h)/4(j): Sum of lines 9 through 15</b>	§ 4(h), (j)
17		<b>4(g) ORS 757.268(12)(b) cap: Local IT page(s) line 9</b>	§ 4(g)
18		+ Local tax effect of tax savings from charitable contributions of Oregon regulated operations.	§ 4(j)(A)
19		+ Local tax effect of tax credits associated with Oregon regulated operations for which expenditures not included in rates.	§ 4(j)(A)
20		+ Local tax effect of deferred taxes related to Oregon regulated operations, excluding deferred taxes related to depreciation of public utility property and any rate adjustment under this rule	§ 4(j)(A)
21		+ Local tax effect of deferred taxes related to depreciation of public utility property for Oregon regulated operations.	§ 4(j)(A)
22		- Local tax effect of Current Tax benefit related to tax depreciation of public utility property for Oregon regulated operations.	§ 4(g)(B)
23		+/- iterative effect to extent not included in line 24	§ 4(j)(C)
24		<b>4(g)/4(j): Sum of lines 17 through 23</b>	§ 4(g), (j)
25		<b>Lowest of lines 8, 16 and 24</b>	§ 4(j)

Tax Year:

**Federal and State Income Taxes Paid and Properly Attributed to Regulated Operations of the Utility  
For utility with calculated amount lower than deferred taxes related to PUP for Oregon regulated operations**

Line No.

1  **Oregon Deferred Taxes**  
Deferred Taxes related to depreciation of public utility property for Oregon regulated operations, **page 5, line 5; OR page 6, line 5**

§ 4(d)(B) or  
4(b)(A)

2  **Federal Income Tax Refund Attributed to Oregon operations**  
Amount of Refund included in Taxes Paid by taxpayer on **page 2, line 1**  
3  Apportionment Factor Used on **page 2, line 9\***  
4  Amount of Refund attributed to Oregon operations (**product, lines 2\*3**)

§ 3(a)(A)  
§ 3(a)(B)

5  **State Income Tax Refund Attributed to Oregon operations**  
Amount of Refund attributed to Oregon Operations, calculated using one of the methods below according to the one-time election:  
(a) State refund included on page 3, line 1; multiplied by page 3, line 8  
(b) State refund included on page 4, line 2; multiplied by page 4, line 1 and page 4, line 10  
(c) State refund included on page 4, line 12; multiplied by page 4, line 16

§ 3(e)(B)  
§ 3(e)(C)(i)  
§ 3(e)(C)  
§ 3(e)(C)(ii)

6  **Total Tax Refund Attributed to Oregon operations**  
Sum line 4+5

7  **Deferred Taxes related to depreciation of Oregon Public Utility Property less refunds**  
Difference line 1 minus line 6

§ 4(d)

8  Greater of line 7 and FIT-SIT page 5 or 6, line 28  
**Enter this amount on page 1, line 1**

§ 4(b)

\*(Use apportionment factor calculated using weighted average of tax year factors)



Case UE-177  
Exhibit PPL/202  
HIGHLY CONFIDENTIAL  
Witness: Ryan R. Fuller

BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON

PACIFICORP

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Exhibit Accompanying Rebuttal Testimony of Ryan R. Fuller

PacifiCorp's Original Tax Report

Highly Confidential

February 2008



## **Exhibit PPL/202**

### **PacifiCorp's Original Tax Report**

Exhibit PPL/202 is Highly Confidential and is on file in the Salem and Portland Safe Rooms.



Case UE-177  
Exhibit PPL/203  
HIGHLY CONFIDENTIAL  
Witness: Ryan R. Fuller

BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON

PACIFICORP

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Exhibit Accompanying Rebuttal Testimony of Ryan R. Fuller

PacifiCorp's Revised Tax Report

Highly Confidential

February 2008

## **Exhibit PPL/203**

### **PacifiCorp's Revised Tax Report**

Exhibit PPL/203 is Highly Confidential and is on file in the Salem and Portland Safe Rooms.



Case UE-177  
Exhibit PPL/204  
CONFIDENTIAL  
Witness: Ryan R. Fuller

BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON

PACIFICORP

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Exhibit Accompanying Rebuttal Testimony of Ryan R. Fuller

Private Letter Ruling

Confidential

February 2008

# **Exhibit PPL/204**

## **Private Letter Ruling**

Exhibit PPL/204 is Confidential and provided under separate cover per Protective Order 06-033.





Case UE-177  
Exhibit PPL/205  
Witness: Ryan R. Fuller

BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON

PACIFICORP

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Exhibit Accompanying Rebuttal Testimony of Ryan R. Fuller  
ICNU's Response to PacifiCorp's Data Request No. 1.12 & 1.2

February 2008

**BEFORE THE  
PUBLIC UTILITY COMMISSION OF OREGON**

**DOCKET NO. UE 177**

**ICNU'S RESPONSE TO PACIFICORP'S DATA REQUEST NO. 1.12**

**Data Request No. 1.12:**

See ICNU/100, Blumenthal/3, lines 9-10; Blumenthal/5, lines 13-16. Please explain in detail Ms. Blumenthal's position that none of the Commission's methods for calculating taxes paid produces an "actual taxes paid" result.

**Response to Data Request No. 1.12:**

Because none of the Commission's methods use all of the income and expense items that are actually reported to the Internal Revenue Service, the methods will not result in an actual tax expense. Please see the Attachment to Data Request 1.2, pages 4-5.

**BEFORE THE  
PUBLIC UTILITY COMMISSION OF OREGON**

**DOCKET NO. UE 177**

**ICNU'S RESPONSE TO PACIFICORP'S DATA REQUEST NO. 1.2**

**Data Request No. 1.2:**

See ICNU/100, Blumenthal/2, Lines 12-17. Please provide copies of all testimony previously provided by Ms. Blumenthal on utility income tax issues. Please provide the portion of the final order addressing utility income tax issues in each case in which Ms. Blumenthal provided testimony.

**Response to Data Request No. 1.2:**

ICNU objects to this request as unduly burdensome and overbroad. Ms. Blumenthal has testified on utility income tax issues a number of times, not all of which are relevant to her testimony in this case. In addition, Ms. Blumenthal does not have copies of all testimony she has previously provided on utility income tax issues, or copies of final orders from past cases in which she addressed income tax issues. Without waiving the foregoing objections, ICNU has provided a copy of Ms. Blumenthal's testimony from Docket No. 12065 at the Public Utility Commission of Texas ("TPUC") as Attachment to Data Request 1.2. This testimony involves issues similar to those in Ms. Blumenthal's direct testimony in this Docket. TPUC Docket No. 12065 resulted in a settlement, and, therefore, the final opinion did not specifically address the income tax issues.

Should PacifiCorp wish to view Ms. Blumenthal's testimonies in other proceedings, the docket numbers in which she filed testimony are included on her resume. Ms. Blumenthal's testimonies and the corresponding final orders may be available on the internet or requested from the applicable State Commission.

1           **TAX EXPENSE FOR INCLUSION IN ITS PROPOSED RATES?**

2           A.    The federal income tax expense which HL&P is proposing to include in rates is  
3           a theoretical amount. In its calculation of federal income tax expense, the  
4           Company has failed to include all items of income and expense that will be  
5           reflected on its federal income tax return. The Company has included as  
6           deductions only those items which are included in its revenue requirement.  
7           There are, however, other items of income and expense which the Company  
8           includes in the actual federal income tax return it files with the Internal Revenue  
9           Service "(IRS" or "Service)". Because the federal income tax expense that the  
10          Company is proposing to include in rates does not recognize all of the income  
11          and expense items that are actually reported to the IRS, it is, by definition, not  
12          the Company's actual tax expense.

13          **Q.    HOW SHOULD THE AMOUNT OF FEDERAL INCOME TAX EXPENSE BE**  
14          **CALCULATED FOR RATEMAKING PURPOSES?**

15          A.    The Commission should use 1) all consolidated tax savings, if any, and 2) the  
16          actual taxes paid approach to calculating regulated income tax expense.

17                 Although many times when parties refer to the actual taxes paid  
18          methodology they include the consolidated tax savings as well as the disallowed  
19          and below-the-line expenses, consolidated tax savings are really not a product  
20          of the actual taxes paid doctrine. The requirement for the Commission to  
21          reflect consolidated tax savings arises from PURA Section 41(c)(2). On the other  
22          hand, inclusion of below-the-line and disallowed expenses in the tax calculation

1 arises from court opinions and PURA Section 41(c)(3).

2 One rationale for including a consolidated tax savings adjustment in the  
3 federal income tax calculation of a utility is to prevent ratepayers from  
4 subsidizing non-utility operations. The utility provides the income, the cash  
5 flow, and the financial security for the parent company to diversify into non-  
6 utility operations. On many ratemaking issues, the regulatory body looks at the  
7 financial condition of the parent and all of its subsidiaries when determining  
8 rates. For example, the return on equity analysis for a utility which is a  
9 subsidiary of a holding company necessarily looks at the consolidated entity's  
10 cost of equity capital. Similarly, if the consolidated entity's non-utility  
11 operations are a cash drain or are producing relatively low equity returns, then  
12 this financial burden will contribute to the timing and the size of the regulated  
13 utility's request for rate increases.

14 With regard to the actual taxes paid portion of the federal income tax  
15 calculation, the regulatory authority needs to consider the disallowed and  
16 below-the-line expenses in order to prevent ratepayers from paying a portion of  
17 amounts which are specifically disallowed by the regulator or are required to be  
18 excluded from rates by PURA.

19 Q. WHAT ARE THE COMPONENTS OF TOTAL FEDERAL INCOME TAX EXPENSE?

20 A. There are three parts to the total federal income tax expense:

- 21 • **Current Tax Expense:** This is the amount that is paid to the  
22 government currently on a normalized basis.



Case UE-177  
Exhibit PPL/206  
Witness: Ryan R. Fuller

BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON

PACIFICORP

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Exhibit Accompanying Rebuttal Testimony of Ryan R. Fuller  
ICNU's Response to PacifiCorp's Data Request No. 1.21

February 2008

**BEFORE THE  
PUBLIC UTILITY COMMISSION OF OREGON**

**DOCKET NO. UE 177**

**ICNU'S RESPONSE TO PACIFICORP'S DATA REQUEST NO. 1.21**

**Data Request No. 1.21:**

See ICNU/100, Blumenthal/8, lines 6-9. Please explain in detail the statement that "Because PacifiCorp is in a capital-intensive industry while most of the other entities in the consolidated group are not, this method will always allocate too much of the consolidated tax liability to PacifiCorp." Please provide all analysis and evidentiary support relied upon for this statement.

**Response to Data Request No. 1.21:**

Table 1 at ICNU/100, Blumenthal/9 provides an example that supports this conclusion.



