

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

UE 178 (3)

2009 Tax Report for 2008

Portland General Electric Company



Portland General Electric

January 21, 2010

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

UE 178 (3)

**Joint Testimony in
Support of Stipulation**

Joint Stipulating Parties

*Carla Owings
Dustin Ball
Deborah Garcia
Gordon Feigner
Jay Tinker*

January 21, 2010

Joint Testimony in Support of Stipulation

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

2 A. My name is Carla Owings. I am a Senior Revenue Requirement Analyst in the Rates
3 and Tariffs section of the Electric and Natural Gas Division of the Public Utility
4 Commission of Oregon (“OPUC”) Staff. My business address is 550 Capital Street NE,
5 Suite 215, Salem, Oregon 97301-2551. My qualifications appear in Joint Stipulating Exhibit
6 101.

7 My name is Dustin Ball. I am a Senior Financial Analyst in the Economic Research
8 and Financial Analysis Division of the OPUC. My business address is 550 Capital Street
9 NE, Suite 215, Salem, Oregon 97301-2551. My qualifications appear in Joint Stipulating
10 Exhibit 102.

11 My name is Deborah Garcia. I am a Senior Revenue Requirement Analyst in the Rates
12 and Tariffs section of the Electric and Natural Gas Division of the OPUC. My business
13 address is 550 Capital Street NE, Suite 215, Salem, Oregon 97301-2551. My qualifications
14 appear in Joint Stipulating Exhibit 103.

15 My name is Ellen Blumenthal. I am a consultant for Industrial Customers of Northwest
16 Utilities (“ICNU”) and a Principal with GDS Associates, Inc. My business address is 13517
17 Queen Johanna Court, Corpus Christi, Texas 78418. My qualifications appear in Joint
18 Stipulating Exhibit 104.

19 My name is Gordon Feighner. I am a utility analyst with the Citizens’ Utility Board of
20 Oregon (“CUB”). My business address is 610 SW Broadway, Suite 308, Portland, Oregon
21 97205. My qualifications appear in Joint Stipulating Exhibit 105.

1 My name is Jay Tinker. I am a Project Manager for Portland General Electric Company
2 ("PGE" or the "Company"). My business address is 121 SW Salmon Street, Portland,
3 Oregon 97204. My qualifications appear in Joint Stipulating Exhibit 106.

4 **Q. What is the purpose of your testimony?**

5 A. Staff, CUB, ICNU and PGE (collectively, the "Stipulating Parties"), provide this testimony
6 in support of the Stipulation filed in Docket UE-178(3), regarding PGE's tax filing as it
7 relates to the application of Senate Bill 408 ("SB 408") covering calendar year 2008.

8 **Q. How is SB 408 codified and implemented by the OPUC?**

9 A. SB 408 is codified as ORS 757.267 and 757.268. The Commission issued OAR 860-022-
10 0041 to implement SB 408. Pursuant to this rule, PGE filed its tax report for calendar years
11 2006, 2007, and 2008 ("Tax Report") on October 15, 2009.

12 **Q. Please describe the activity that has occurred in this proceeding.**

13 A. The Stipulating Parties conducted a workshop on November 12, 2009, a settlement
14 conference on December 1, 2009 and held additional conference calls amongst the parties.
15 In addition, Staff and ICNU have made several discovery requests to clarify aspects of
16 PGE's SB 408 Tax Report. On December 18, 2009, Staff filed an issues list, which is
17 attached as Exhibit 108 to the Stipulation.

18 **Q. Did PGE modify its Tax Report for 2008 as a result of the activity that occurred in this
19 proceeding?**

20 A. Yes. PGE agreed to make six revisions to its initial Tax Report. The revisions include: 1) A
21 true up of the amended 2006 and 2007 federal tax returns from estimated amounts to actual
22 amounts under all three methods; 2) A reclassification of deferred Schedule Ms related to
23 interest income on regulatory assets from non-utility to utility and removal of the associated

1 deferred tax adjustment; 3) A modification of the stand-alone calculation to remove the
2 adjustment for interest on regulatory liabilities; 4) A modification of the stand-alone
3 iterative effect to exclude the effects of interest expense and income on SB 408 regulatory
4 assets and liabilities because they are now excluded from the stand-alone method; 5) A
5 revision to the Charitable contributions add-back to remove the federal tax benefit of
6 charitable contributions under the Apportionment method; and 6) A revision to the add-back
7 related to un-utilized Trojan ISFSI tax credit carry-forwards to be consistent with the
8 reduction to taxes paid. Joint Stipulating Exhibit 107 is the final revised Tax Report for
9 2008 reflecting these six revisions and, thus, the terms of the Stipulation.

10 **Q. With these modifications, do the Stipulating Parties agree that for the purposes of**
11 **settlement PGE's revised SB 408 Tax Report is reasonable?**

12 A. Yes.

13 **Q. What is the net result of performing the agreed upon modifications?**

14 A. Using PGE's revised SB 408 Tax Report filed as Exhibit 107 PGE's revised refund amount
15 is \$9.4 million (excluding interest), reflecting the difference between Taxes Collected and
16 Taxes Paid for calendar year 2008 for federal and state taxes. The SB 408 impact of local
17 taxes results in a refund of approximately \$177,000 (excluding interest).

18 **Q. What is the total estimated amortization amount during the period June 2010 through**
19 **May 2011?**

20 A. PGE estimates a total state/federal refund amortization amount of \$10.041 million during the
21 amortization period, and a \$0.22 million refund amortization for local taxes during the
22 amortization period. The detail for these estimates, including estimated residual balances,
23 interest related to residual balances and estimated interest during the amortization period are

1 provided in the stipulation. PGE estimates the state/federal refund will have a 0.2% overall
2 rate decrease and the local refund will have a less than 0.1% overall rate increase. These
3 estimates will be updated when PGE makes its tariff compliance filing in April.

4 **Q. Do the Stipulating Parties agree that the Stipulation provides a reasonable outcome in
5 this proceeding?**

6 A. Yes.

7 **Q. Has PGE provided access to its tax report and other highly confidential material to
8 ICNU's expert Ms. Blumenthal outside of the safe room in Portland, Oregon?**

9 A. Yes. PGE has made a special accommodation in this proceeding. It has sent copies of the
10 tax report and other highly confidential material to Ms. Blumenthal for her review at her
11 office in Texas.

12 **Q. Do the Stipulating Parties agree that the revised tax report complies with the
13 applicable Commission rules?**

14 A. Yes.

15 **Q. Do the Stipulating Parties agree that the adjustment amounts resulting from the
16 revised Tax Report will result in fair, just and reasonable rates?**

17 A. Yes.

18 **Q. Do the Stipulating Parties request that the Commission approve the Stipulation and
19 rule that the resulting rates are fair, just and reasonable?**

20 A. Yes.

21 **Q. Is ICNU currently challenging the SB 408 rules and protective order?**

22 A. Yes. As a result, ICNU is reserving certain legal rights which are specified in paragraph
23 II(F) of the stipulation.

- 1 **Q. Does this conclude joint testimony of the Stipulating Parties?**
- 2 **A. Yes.**

List of Exhibits

<u>Joint Stipulating Exhibit</u>	<u>Description</u>
101	Qualifications of Carla Owings
102	Qualifications of Dustin Ball
103	Qualifications of Deborah Garcia
104	Qualifications of Ellen Blumenthal
105	Qualifications of Gordon Feighner
106	Qualifications of Jay Tinker
107	Revised (and Final) 2008 Tax Report – Highly Confidential, Subject to Order 06-033. Sent to Portland/Salem Safe Rooms under separate cover
108	Staff's Issues List

Witness Qualification Statement

NAME: Carla M. Owings

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Utility Analyst/Revenue Requirement/Rates and Regulation

ADDRESS: 550 Capitol Street NE Suite 215
Salem, Oregon 97301-2115.

EDUCATION: Professional Accounting Degree
Trend College of Business 1983

EXPERIENCE: I have been employed by the Public Utility Commission of Oregon since April of 2001. I am the Senior Utility Analyst for revenue requirement for the Rates and Regulation Division of the Utility Program. Current responsibilities include leading research and providing technical support on a wide range of policy issues for electric, telecommunications, and gas utilities.

From September 1994 to April 2001, I worked for the Oregon Department of Revenue as a Senior Industrial/Utility Appraiser. I was responsible for the valuation of large industrial properties as well as utility companies throughout the State of Oregon.

I have testified in behalf of the Public Utility Commission in Docket Nos. UE 180, UM 1234, UE 167, UE 180, UE 188, UM 1234, UM 1261, UM 1271 and UG 171.

OTHER EXPERIENCE: I received my certification from the National Association of State Boards of Accountancy in the Principles of Public Utilities Operations and Management in March of 1997. I have attended the Institute of Public Utilities sponsored by the National Association of Regulatory Utility Commissioners at Michigan State University in August of 2002 and the College of Business Administration and Economics at New Mexico State University's Center for Public Utilities in May of 2004.

Witness Qualification Statement

NAME: Dustin Ball

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Financial Analyst, Economic Research & Financial Analysis Division

ADDRESS: 550 Capitol Street NE suite 215
Salem, Oregon 97301-2115.

EDUCATION: Bachelor of Science, Business focusing in Accounting,
Western Oregon University (2003)

EXPERIENCE: Employed with the Oregon Public Utility Commission since August 2007. I am a Senior Financial Analyst for the Economic Research & Financial Analysis Division.

Employed by the Oregon Real Estate Agency as a Financial Investigator in the Regulations Division from January 2006 to August 2007.

Employed by the Oregon Department of Revenue as an Income Tax Auditor, in the Personal Tax and Compliance Section from January 2004 to January 2006.

Licensed Tax Consultant in the State of Oregon.

Witness Qualification Statement

NAME: Deborah A. Garcia

EMPLOYER: Public Utility Commission of Oregon

TITLE: Senior Revenue Requirement Analyst

ADDRESS: 550 Capitol St NE Suite 215,
Salem, Oregon 97301-2551

EDUCATION:

- o Western Utility Rate School, San Diego, California. (2002)
- o The Center For Public Utilities at New Mexico University and the National Association of Regulatory Commissioners' Annual Regulatory Studies Program. (2000)
- o National Association of Regulatory Utility Commissioners' Annual Regulatory Studies Program at Michigan State University. (2000)
- o Certificate in Mediation Training (1994)
- o College-level coursework in financial accounting, business law, business management, and economics.

WORK EXPERIENCE:

- o Sr Revenue Requirement Analyst --Public Utility Commission of Oregon Lead accounting witness for revenue requirement in various proceedings. (2007 - present)
- o Utility Analyst -- Public Utility Commission of Oregon Focus on utility policies, natural gas purchased gas adjustment issues, utility territory allocation issues, consumer issues, tariff review, promotional concessions, rate case review & witness, and rulemakings. (2002 - 2007)
- o Research Analyst -- Public Utility Commission of Oregon Focus on SB 1149 implementation, rulemaking, various utility and electric service supplier policies, including certification of electric service suppliers, tariff review, rate case review & witness. (2000 -2002)
- o Compliance Specialist -- Public Utility Commission of Oregon-- Handled consumer complaints, liaison between the public, regulated utilities and various Commission staff, reviewed proposed tariffs, administrative rules, and policies with an emphasis on potential impact to consumers. Identified trends, services, and policies where no statute, rule or precedent applied and recommended appropriate action. (1992 - 2000)

Witness Qualification Statement

NAME: Ellen Blumenthal

EDUCATION: University of Texas at Austin
Bachelor of Arts in Journalism, 1975
Certified Public Accountant in Texas, February 1977

PROFESSIONAL MEMBERSHIPS:
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants

EXPERIENCE: GDS Associates, Inc., March 2002 to present
Principal of GDS Associates, Inc., Engineers and Consultants, Corpus Christi, Texas. Provides financial analysis for natural gas and electric markets; assists consumers in acquiring power needs in the competitive markets; provides analysis in gas, electric, telephone and water utility rate increase filings and presents expert testimony in regulatory proceedings on behalf of interveners. Issues addressed in testimony include all aspects of revenue requirement determination.

Independent Consultant, June 1982 to February 2002
Financial analysis for natural gas and electric markets; Provided analysis and expert witness revenue requirements testimony in gas, electric, telephone and water utility rate increase applications on behalf of interveners.

C. H. Guernsey & Co., Consulting Engineers & Architects,
November 1980 - June 1982

Title: Regulatory Accountant and Financial Analyst
Duties included preparation of financial and accounting aspects of rate filings for electric cooperatives for presentation before the Public Utility Commission of Texas. Testified as an expert witness on accounting matters before the Public Utility Commission of Texas. Advised electric cooperatives on accounting and regulatory matters. Participated in review of rate increase applications of investor-owned utilities and prepared and presented expert witness testimony based on such review. Participated in special projects such as cost-benefit analyses related to owner participation in power plants and alternative regulatory treatments for nuclear generating stations.

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Public Utility Commission of Texas, May 1977 - November 1980

Title: Chief Accountant III

Duties included providing expert witness testimony in investor-owned and cooperative telephone, electric and water utility rate cases filed with the Commission in the following areas: Fuel and purchased power, Operation and maintenance expenses, Federal income taxes, Taxes other than federal income taxes, Affiliate transactions, Oil and gas exploration and development. Reviewed the books and business records of public utilities to determine the reasonableness of rate requests. Reviewed public utilities' implementation of fuel adjustment clause and other rate schedules to determine compliance with tariffs approved by Commission.

Sample List of Testimony Filed and Other Utility Projects:

Application of Oncor Electric Delivery Company LLC for Authority to Change Rates, Texas Public Utility Commission Docket No. 35717, November 2008.

Advisor to Nebraska Public Service Commission on gas utility regulatory matters. 2003 to present.

Portland General Electric Company General Rate Case, Oregon Public Utility Commission Docket UE 197, July 2008.

Petition of PNM Resources, Inc. and Cap Rock Energy Corporation Regarding Merger and Acquisition of Stock, Texas Public Utility Commission Docket No. 35640, June 2008.

Application of Entergy Gulf States for Authority to Change Rates, Texas Public Utility Commission Docket No. 34800, April 2008.

Pacific Power & Light (dba PacifiCorp) to File Tariffs Establishing Automatic Adjustment Clause under the Terms of SB 408 on behalf of the Industrial Customers of Northwest Utilities, Public Utility Commission of Oregon Docket No. UE 177, January 22, 2008.

Petition by New Mexico Utilities, Inc. for Authority to Amend Its Wastewater Rates, New Mexico Public Regulation Commission Case No. 07-00435-UT, November 2007.

United Water Connecticut, Inc. Application to Change Rates, Prepare rate filing and testimony. Connecticut Department of Public Utilities Docket No. 07-05-44, June 2007.

Application of AEP Texas Central Company for Authority to Change Rates, Texas Public Utility Commission Docket No. 33309, March 2007.

Application of AEP Texas North Company for Authority to Change Rates, Texas Public Utility Commission Docket No. 33310, March 2007.

Staff's Petition for a Reallocation of Stranded Costs Pursuant to PURA Sec. 139.253(f), Texas PUC Docket No. 32795, August 2006.

Application of Bryan Texas Utilities for Interim Update of Wholesale Transmission Rates Pursuant to Substantive Rule 25.192(g)(1), Texas Public Utility Commission Docket No. 30925, March 2005; Docket No. 32958, June 2006.

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Application of AEP Texas Central Company for a Financing Order, Texas Public Utility Commission Docket No. 32475, April 2006.

Application of Texas-New Mexico Power Company to Establish a Competition Transition Charge Pursuant to P.U.C. SUBST. R. 25.263(n), Texas Public Utility Commission Docket No. 31994, March 2006.

Application of the Electric Reliability Council of Texas for Approval of the ERCOT System Administration Fee, Texas Public Utility Commission Docket No. 31824, January 2006.

Application of Entergy Gulf States, Inc. for Recovery of Transition to Competition Costs, Texas Public Utility Commission Docket No. 31544, January 2006.

Application of Sharyland Utilities, L.P. for Interim Update of Wholesale Transmission Rates Pursuant to Substantive Rule 25.192(g)(1), Texas Public Utility Commission Docket No. 31826, October 2005.

Two management audits of the Sempra Energy utilities' compliance with federal and state affiliate rules. October 2005

Petition to Inquire into the Reasonableness of the Rates and Services of Cap Rock Energy Corporation, Texas Public Utility Commission Docket No. 28813 on behalf of Pioneer Energy, August 2004.

Application of CenterPoint Energy Houston Electric, LLC, Texas Genco, LP, and Reliant Energy Retail Services, LLC to Determine Stranded Costs and Other Balances, Texas PUC Docket No. 29526, on behalf of the City of Houston and the Coalition of Cities, June 2004.

Application of AEP Texas Central Company for Authority to Change Rates, Texas PUC Docket No. 28840, on behalf of the Coalition of Commercial Ratepayers, February 2004.

Application of the Electric Reliability Council of Texas to Change the ERCOT System Administrative Fee, Texas PUC Docket No. 28832, on behalf of the Office of Public Utility Counsel, January 2004.

TXU Gas Company Statement of Intent to Change Rates in the Company's Statewide Gas Utility System, Texas Railroad Commission Docket No. 9400, on behalf of Allied Coalition of Cities, December 2003.

Application of Southwestern Electric Power Company for Authority to Reconcile Fuel Costs, Texas PUC Docket No. 28045, on behalf of the Cities Served, November 2003.

Kansas Gas Service, a Division of Oneok, Inc. Application to Change Natural Gas Rates, Kansas Corporation Commission Docket 03-KGSG-602-RTS, on behalf of Unified School District No. 259, July 2003

Application of AEP Texas Central Company for Authority to Reconcile Fuel Costs, Texas PUC Docket No. 27035 on behalf of Affected Cities, April 2003.

Application of West Texas Utilities Company for Authority to Reconcile Fuel Costs, Texas PUC Docket No. 26000 on behalf of the Office of Public Utility Counsel, October 2002.

TXU Gas Distribution Application to Change Distribution Rates in its South Region on behalf of affected Texas municipalities, Fall 2002.

Application of Ernest G. Johnson, Director of the Public Utility Division, Oklahoma Corporation Commission to Review the Rates, Charges, Services and Service Terms of Oklahoma Gas & Electric Company and all Affiliated Companies and any Affiliate or Non-Affiliate Transaction Relevant to Such Inquiry, Oklahoma Corporation Commission Cause No. PUD 200100455 on behalf of the Oklahoma Attorney General, June 2002.

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Petition of the Electric Reliability Council of Texas for Approval of the ERCOT Administrative Fee, Texas PUC Docket No. 23320 on behalf of Austin Energy, May 2002.

Texas-New Mexico Power Company Application for Approval of Unbundled Cost of Service Rates, Texas PUC Docket No. 22349 on behalf of the Office of Public Utility Counsel, January 2001.

TXU Lone Star Pipeline Application to Change the City Gate Rate, Texas Railroad Commission Docket No. 8976 on behalf of the Aligned Cities, January 2000.

Reliant Energy HL&P Application for Approval of Unbundled Cost of Service Rates, Texas PUC Docket No. 22355 on behalf of the City of Houston and the Coalition of Cities, December 2000.

TXU Electric Company Application for Approval of Unbundled Cost of Service Rates, Texas PUC Docket No. 22350 on behalf of the Office of Public Utility Counsel, October 2000.

Santa Fe Pipeline Partnership, L.P., FERC Docket No. OR92-8-000, *et al* on behalf of Refinery Holding Company, L.P., January 1996.

Peoples Natural Gas Company, Rate Area Three on behalf of the Nebraska Municipalities Served, December 1995.

Compliance review of Southern Union Gas Company's fuel cost recovery in the City of El Paso on behalf of the City of El Paso, Texas, Spring 1995.

Houston Lighting and Power Company, Texas PUC Docket No. 12065 on behalf of Office of Public Utility Counsel, November 1994.

El Paso Electric Company, Texas PUC Docket No. 12700 on behalf of Office of Public Utility Counsel and The City of El Paso, Texas, June 1994.

Application of Central and South West Corporation and El Paso Electric Company For Approval of Acquisition, PUC Docket No. 12700 on behalf of Office of Public Utility Counsel, June 1994.

El Paso Electric Company, Public Utility Regulation Board of The City of El Paso, Texas on behalf of the City of El Paso, Texas, May 1994.

Kansas Pipeline Partnership and Kansas Natural Partnership, Kansas Docket No. 190,362-U on behalf of Citizens' Utility Ratepayer Board, September 1994.

KN Energy, Inc., Kansas Corporation Commission Docket No. 186,363-U on behalf of Citizens' Utility Ratepayer Board, September 1993.

City of Austin Water and Wastewater Utility before City Council on behalf of residential and small commercial ratepayers, October 1993.

Texas Utilities Electric Company, Texas PUC Docket No. 11735 on behalf of Certain Cities Served by Texas Utilities Electric Company, September 1993.

Complaint of General Counsel against Cherokee County Electric Cooperative, Inc. regarding application of Cherokee's switchover tariff, Texas PUC Docket No. 11351, on behalf of the Cooperative, June 1993.

Texas Utilities Electric Company, Texas PUC Docket No. 11735 on behalf of the Office of Public Utility Counsel, April 1993.

Application of Entergy Corporation and GSU for Sale, Transfer or Merger, Texas PUC Docket No. 11292, on behalf of Office of Public Utility Counsel, January 1993.

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Peoples Natural Gas Company, Kansas Corporation Commission Docket No. 180,416-U, on behalf of the Citizens' Utility Ratepayer Board, August 1992.

Kansas Public Service Company, Kansas Corporation Commission Docket No. 179,484-U, on behalf of the Citizens' Utility Ratepayer Board, April 1992.

Complaint of NBC Telecommunications, Inc. against Southwestern Bell Telephone Company, Texas PUC Docket No. 10762, on behalf of complainant, September 1992.
Central Texas Telephone Company, Texas PUC Docket No. 9981, on behalf of the Office of Public Utility Counsel, December 1991.

Texas-New Mexico Power Company, Texas PUC Docket No. 10200, on behalf of the Office of Public Utility Counsel, December 1991.

Greeley Gas Company, Kansas Corporation Commission Docket No. 177,142-U, on behalf of the Citizens' Utility Ratepayers Board, November 1991.

Peoples Natural Gas Company, Rate Areas Two and Three on behalf of the Nebraska Municipalities Served, November 1991.

Southern Union Gas Company El Paso Service Area, Public Utility Regulatory Board of El Paso on behalf of the City of El Paso, November 1991.

City of Round Rock, Texas Water Commission Docket No. 8600-M, on behalf of Brushy Creek Municipal Utility District, October 1991.

El Paso Electric Company, Texas PUC Docket No. 9945, on behalf of the Office of Public Utility Counsel, April 1991.

Houston Lighting & Power Company, Texas PUC Docket No. 9850, on behalf of the Office of Public Utility Counsel, February 1991.

Greeley Gas Company, Kansas Corporation Commission Docket No. 170,588-U, on behalf of the Citizens' Utility Ratepayers Board, August 1990.

Rio Grande Valley Gas Company, Texas Railroad Commission Docket No. 7604, Consolidated, on behalf of the Intervener Cities, May 1990.

Southern Union Gas Company El Paso Service Area, Public Utility Regulatory Board of El Paso on behalf of the City of El Paso, October 1990.

Texas Utilities Electric Company, Texas PUC Docket No. 9300, on behalf of the Intervener Cities, April 1990.

Gulf States Utilities Company, Texas PUC Docket No. 8702, on behalf of the Intervener Cities, July 1989.

Central Power & Light Company, Texas PUC Docket No. 8646, on behalf of the Intervener Cities, June 1989.

Lower Colorado River Authority, Texas PUC Docket No. 8400, on behalf of several wholesale customers, February 1989.

Lower Colorado River Authority, Texas PUC Docket No. 8032, on behalf of several wholesale customers, June 1988.

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Tawakoni Water Utility Corporation, Texas Water Commission Docket No. 7368-R, on behalf of Tawakoni Water Consumers Association, January 1988.

Hill Country Waterworks Company, Texas Water Commission Docket No. 172-W, on behalf of the City of Hill Country Village and the City of Hollywood Park, July 1987.

Detroit Edison Company, Michigan PSC, Case No. U-8683, on behalf of North Star Steel Michigan, May 1987.

Gulf States Utilities Company, Texas PUC Docket No. 7195, on behalf of North Star Steel Texas, January 1987.

Rio Grande Valley Gas Company, Texas Railroad Commission Docket No. 4717, 1984 and Docket No. 3858, on behalf of the Rio Grande Valley Cities, March 1982.

Lower Colorado River Authority, Texas PUC Docket No. 6027, on behalf of several wholesale customers, March 1985.

Houston Lighting and Power Company, Texas PUC Docket No. 4540, August 1982, on behalf of the City of Houston.

Houston Lighting & Power Company, Texas PUC Docket No. 3320, September 1980, on behalf of the Texas Public Utility Commission.

Inquiry by Public Utility Commission of Texas into Certain Affiliate transactions of Texas Electric Service Company, Texas Power and Light Company and Dallas Power and light Company, Texas PUC Docket Nos. 1517, 1813 and 1903, February 1979, on behalf of the Texas Public Utility Commission.

Witness Qualification Statement

NAME: Gordon Feighner

EMPLOYER: Citizens' Utility Board of Oregon (CUB)

TITLE: Utility Analyst

ADDRESS: 610 SW Broadway, Suite 308
Portland, OR 97205

EDUCATION: Master of Environmental Management, 2005
Duke University, Durham, NC

Bachelor of Arts, Economics, 2002
Reed College, Portland, OR

WORK EXPERIENCE: I have previously provided testimony in dockets UE 196, UE 204, UE 210, UE 213, UM 1355 and UM 1431. Between 2004 and 2008, I worked for the US Environmental Protection Agency and the City of Portland Bureau of Environmental Services, conducting economic and environmental analyses on a number of projects. In January 2009 I joined the Citizens' Utility Board of Oregon as a Utility Analyst and began conducting research and analysis on behalf of CUB.

Witness Qualification Statement

NAME: Jay Tinker

EMPLOYER: Portland General Electric

TITLE: Project Manager, Rates and Regulatory Affairs

ADDRESS: 121 SW Salmon Street
Portland, Oregon 97204.

EDUCATION: Bachelor of Science, Economics and Finance
Master of Science, Economics
Portland State University (1993, 1995)
Chartered Financial Analyst (CFA, 1999)

EXPERIENCE: Employed with Portland General Electric since 1996.

PGE Revised (and Final) Tax Report for 2008

Highly Confidential and Subject to Protective Order 06-033

Hand Delivered and to the Portland and Salem Safe Rooms

**PUBLIC UTILITY COMMISSION
OF OREGON**

UE 178(3)

STAFF ISSUES LIST

**Carla Owings
Dustin Ball
Deborah Garcia**

**In the Matter of
PORTLAND GENERAL ELECTRIC COMPANY's
Senate Bill 408 Tax Filing
for 2008 Tax Period**

December 18, 2009

**SENATE BILL 408, TAX FILINGS
STAFF'S INITIAL FINDINGS
FOR PORTLAND GENERAL ELECTRIC – UE 178(3)**

TO: LEE SPARLING, ED BUSCH, JUDY JOHNSON AND
JASON JONES

RE: PORTLAND GENERAL ELECTRIC – UE 178 (3)
SB 408 TAX FILINGS
2008 TAX PERIOD

FROM: CARLA OWINGS, SENIOR UTILITY ANALYST,
DUSTIN BALL, SENIOR UTILITY ANALYST, AND
DEBORAH GARCIA, SENIOR UTILITY ANALYST
PUBLIC UTILITY COMMISSION

DATE: DECEMBER 18, 2009

CC: ALL PARTIES

On October 15, 2009, Portland General Electric (PGE or Company) filed UE 178(3), its tax report covering the 2008 calendar year pursuant to Senate Bill 408 (SB 408) (codified at ORS 757.267, 757.268 and OAR 860-022-0041).

Much of the information contained in these tax reports represents highly confidential and sensitive information. Staff has structured its initial findings in this report in a generic manner in order to avoid the possibility of disclosing confidential, or sensitive, information.

Staff has thoroughly reviewed each calculation and all documentation provided by the Company.

SUMMARY OF 2008 SB 408 IMPACT:

PGE reports the following for its Regulated Results of Operations for the 2008 tax period:

Table 1-Original Filing

Federal and State Taxes Paid to units of Government	Taxes Collected	Surcharge or (Refund)	Interest ¹ (7/1/08 through 6/1/2011)	Total Refund
\$49.0 million	\$57.7 million	(\$8.7 million)	(\$1.5 million)	(\$10.2 million)

PGE's original filing reflected a total refund related to the Federal and State tax true-up for the 2008 tax period to be \$10.2 million including interest.

Table 2- Staff Recommendation

Federal and State Taxes Paid to units of Government	Taxes Collected	Surcharge or (Refund)	Interest ² (7/1/08 through 6/1/2011)	Total Refund
\$48.3 million	\$57.7 million	(\$9.4 million)	(\$1.5 million)	(\$10.9 million)

The impact of PGE's refund of approximately \$10.9 million represents a decrease of approximately 0.66 percent to PGE's retail rates. For the 2007 tax period, PGE had a surcharge of approximately \$14.7 million. However, due to a large refund that related to the 2006 tax period, which was amortized over a two-year period, PGE is currently amortizing a refund of approximately \$8 million.

In June 2010, the effect of removing the current refund related to the prior periods, and replacing it with the 2008 tax period refund of \$10.9 million will reduce current rates by approximately 0.13 percent (without consideration of interest). PGE relied upon the Consolidated Method for the outcome of its 2008 SB 408 filing. Prior to June 1, 2010, Staff will review the remaining balance of the 12-month amortization related to the surcharge for the 2007 tax period. Any over- or under-collection of these amortizations will be either included in, or netted against, the total 2008 tax variance plus interest on June 1, 2010.

¹ This is an estimate of all interest that will apply until amortization is complete.

² See footnote above.

PGE paid approximately \$834,000 in local taxes for the 2008 tax period and collected \$1.0 million in rates. The variance between taxes paid and taxes collected is a refund of approximately \$177,000. Interest of approximately \$28,000 has accrued on this balance since January 1, 2008. On June 1, 2010, PGE will implement a refund to Multnomah County ratepayers of approximately \$206,000. This refund will be implemented simultaneous to the refund generated from the true-up related to the State and Federal tax true-up. For this reason, PGE's Multnomah County ratepayers will experience a slightly higher refund than those outside of the Multnomah County jurisdiction.

STAFF REVIEW:

Staff conducted face to face interviews on November 12, 2009, December 1, 2009 and by phone on December 15, 2009. Citizens' Utility Board and the Industrial Customers of Northwest Utilities were present for each meeting and participated in these discussions. Staff sent ten data requests and conducted informal phone discussions.

The Company provided several work papers, an electronic version of Staff's Tax form and responses to Staff's data requests. While Staff raises numerous issues in this document, it also reserves the opportunity to raise new issues during the time remaining in this proceeding.

Following is a detailed summary of Staff's review:

Staff requested the Company provide responses to the following items:

- the amended tax returns included in the taxes paid calculation;
- the SB 408 2006 deferral Schedule M item;
- the various adjustments to deferred taxes;
- the adjustments to interest synchronization method for purposes of the stand-alone calculation;
- reconcile the charitable contribution add-back on Page 6 of Staff's template;
- why tax credits were applied in a different order for stand-alone than for the consolidated and apportionment methods; and
- why the add-back related to the ISFSI tax credit is greater than the actual reduction to taxes on page 6 of the Staff Template.

As a result of our review, Staff identified the following issues regarding PGE's original filing:

(1) Amended filings included in taxes paid;

This amendment adjusts taxes paid for 2008 plus interest to include amounts for anticipated amended tax returns related to PGE's 2006 and 2007 tax periods. However, these amended tax returns were not filed or paid to Internal Revenue Service (IRS) at the time PGE filed its SB 408 filing on October 15, 2009.

OAR 860-022-0041(5)(a)(B) states: "For each tax liability or tax adjustment shown on an amended tax return or made as a result of a tax audit, that is filed, paid or received after the date the tax report is due for the applicable tax year, the utility must allocate the tax liability or tax adjustment to the tax year that is recognized by the utility for accounting purposes."

Staff interprets this rule to mean that an amended tax return that is "filed, paid or received" after the "date the tax report is due" for the applicable tax year would mean (in this scenario) that a 2008 tax filing that is "amended, paid or filed" before October 15, 2009, would qualify as an "amended return". In this circumstance, however, PGE had not "yet" filed the amended returns or paid the tax as of October 15, 2009. Instead, PGE relies upon the wording at the end of the rule which states that the utility must allocate the tax liability or tax adjustment to the tax year that is recognized by the utility for accounting purposes."

The actual date for this amended filing occurred after the October 15, 2009 due date for PGE to submit its SB 408 filing, therefore Staff had no documentation of the "actual" amendment submitted to the IRS, only the estimate of what the Company intended to submit.

Staff believes the rule language seems to contradict itself from the beginning of the statement to the end of the statement. During settlement discussions, Staff and the Company were ultimately at a stalemate as to which language should apply to this circumstance. The amended return was filed by PGE on November 13, 2009, therefore, PGE was able to provide documentation of the amendment prior to the publication of this Staff issues list.

While the Company provided a copy of the amended filing, however, upon review the amendment did not match the SB408 adjustment included in PGE's tax report. In the SB 408 filing, PGE's estimate of tax and interest was approximately \$100,000 higher than the actual amount paid with the amended returns. The adjustment results in a decrease to PGE's federal and taxes paid of approximately \$122,000.

It is essential that Staff be provided with the proper documentation of amended returns in a timely manner to complete its review of the SB 408 filings.

This would require that any amendments booked as a provision to any tax period must be "filed, paid and received" by October 15th of that tax period in order for them to be included in the SB 408 filing.

Staff recommends that PGE revise its federal and state taxes paid by \$122,175 to reconcile the actual tax and interest that relates to the amended filings. Doing so will result in an increase to PGE's refund to customers of \$122,175.

Further Staff recommends that the Commission open a rule-making in order to clarify the language in this section of the rules and will recommend that amendments be filed, paid and received prior to October 15th of each year to be included in the SB 408 tax filings.

(2) Adjustments made to deferred taxes related to carrying charges on regulatory assets;

FERC requires the utilities to book these carrying charges below-the-line. In its stand-alone calculation, PGE made an adjustment to its temporary Schedule M's that relate to carrying charges on regulatory assets in order to attribute the impact of deferred taxes to the utility activities rather than treat them as any other costs that are booked below-the-line. PGE feels it is appropriate to adjust the deferred tax impact of these costs because it believes that the interest on regulatory assets is related to regulatory operations.

Specifically, PGE did not apply the Schedule M deduction in the stand-alone calculation which would have served to reduce taxes paid. Instead, PGE made an adjustment to retain the credit for the associated deferred taxes for the utility only, which increases taxes paid. Staff believes PGE's adjustment is inappropriate because these costs are required to be booked below-the-line and should be treated as such in the SB408 filing.

Additionally, Staff believes that if the Company were to recover the cost of items booked to regulatory assets it would do so in a supplemental tariff and not in base rates. Supplemental tariffs are not included in the taxes collected calculation because these are items that are typically temporary rate impacts, collected from prior periods, or simply disallowed and not recovered from ratepayers.

Staff recommends that PGE revise its calculation of stand-alone to apply the Schedule Ms that relates to the carrying charges on regulatory assets. This revision will not impact PGE's refund because the consolidated method is the lowest three methods and this adjustment will only impact the stand-alone calculation.

(3) Review whether interest synchronization was applied to the stand-alone method for calculating taxes paid;

On Work Paper (WP) E-1, PGE makes an adjustment to interest synchronization in its stand-alone method to include interest on regulatory liabilities. Staff believes these adjustments serve to modify PGE's taxable income in the stand-alone calculation and nullifies the use of interest synchronization.

Staff believes that the Company should not make adjustments to the interest synchronization as it is a proforma calculation intended to serve as a proxy for the interest deduction on the tax return. Therefore, these adjustments to deferred taxes tend to modify interest synchronization and inaccurately modify the taxable income of the utility on a stand-alone basis.

Staff recommends that PGE remove the adjustments to the taxable income made on WP E-1 by approximately \$9.1 million. This modification would not impact the outcome of PGE's refund because the outcome of PGE's SB 408 filing relies upon the consolidated method rather than stand-alone.

(4) Demonstrate how charitable contributions made by PGE reduced the apportioned Stand-alone tax liability and therefore need to be added-back on Page 6 of the tax report;

On page 6, Line 2 of the Staff report, PGE adds back the federal tax benefit of charitable contributions. The first section of page 6 recognizes the apportionment method of taxes paid, which is the "greater of" apportioned consolidated or apportioned stand-alone. For PGE, in this reporting period the apportioned stand-alone method ends up being the "greater of" the two methods.

Because charitable contributions are below-the-line activities and are therefore not included in the results of operations, Staff believes that there was no tax benefit of charitable contributions in the apportioned stand-alone calculation.

Staff recommends PGE remove the add-back from page 6, line 2 by approximately \$56,000. Doing so does not ultimately impact the outcome of PGE's refund because for this reporting period PGE relies upon the consolidated method. This revision will only affect the stand-alone and the apportioned stand-alone methods.

(5) The application of tax credits and the add-back of tax credits on Page 6 of the Staff report;

On Page 2 of Staff's tax report, PGE includes sixty-five percent of the value of ISFISI tax credits when calculating taxes paid. This reduction represents the net of the actual benefit of the tax credit. Due to a net loss for federal taxes the

Company does not experience the entire benefit of this tax credit. However, on Page 6 of the tax report, the Company adds the entire ISFISI tax credit back creating a mismatch in the calculations. In response to Staff's data request no. 39, PGE agreed to revise the add-back amount to match the calculation of taxes paid on Page 2 of Staff's tax report.

Staff recommends that PGE revise its tax report so that the add-back on Page 6 is equal to the benefit of the ISFISI tax credit included in the taxes paid line on Page 6. This revision will increase PGE's SB 408 federal and state refund by approximately \$600,000.

Summary. *The summary of Staff's initial findings results in a total increase to PGE's federal and state refund of \$725,260. Staff has no recommended revisions to PGE's total refund of local taxes of \$177,439.*