

ORDER NO. 03-235

ENTERED APR 21 2003

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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1069

In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC)	
COMPANY)	
)	ORDER
Application for Deferral of Certain Tax)	
Expenses.)	

DISPOSITION: APPLICATION DISMISSED; STIPULATION ADOPTED

On December 31, 2002, Portland General Electric (PGE) filed an application with the Public Utility Commission (Commission) pursuant to ORS 757.259 and OAR 860-027-0300. PGE requests authorization for a deferred account for a one-time tax liability recorded effective December 31, 2002, that represents the temporary timing difference between the tax treatment and book treatment of PGE's income tax deductions for property tax expense. PGE would seek amortization on the deferred account in its next general rate filing.

On February 24, 2003, PGE, Commission Staff and the Industrial Customers of Northwest Utilities (ICNU) met to discuss the application and possible settlement. The resulting Stipulation between PGE and Commission Staff protects both customers and PGE.

At its public meeting on April 15, 2003, the Commission adopted Staff's recommendation to dismiss PGE's application, and to adopt the Stipulation. Staff's recommendation is attached as Appendix A and is incorporated by reference.

ORDER

IT IS ORDERED THAT:

- (1) Portland General Electric's application to defer a temporary book/tax timing difference resulting from its payment of property taxes is dismissed.
- (2) The Stipulation between the Public Utility Commission and Portland General Electric is adopted.

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- (3) The 20-day comment period for written objections to the Stipulation is waived.

Made, entered and effective _____.

BY THE COMMISSION:

Becky Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 15, 2003

REGULAR _____ CONSENT X EFFECTIVE DATE April 1, 2003

DATE: April 24, 2003

TO: John Savage through Lee Sparling and Ed Busch

FROM: Ed Krantz

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1069) Requests authorization to defer for later ratemaking treatment certain tax expenses related to income tax deductions based upon PGE's payment of property taxes.

STAFF RECOMMENDATION:

I recommend that the Commission dismiss Portland General Electric's application to defer a temporary book/tax timing difference resulting from its payment of property taxes, adopt the terms of the Stipulation (Attachment A) between Staff and PGE (the Parties), and waive the 20-day time period for written objections to the Stipulation.

DISCUSSION:

On December 31, 2002, Portland General Electric (PGE or company) filed an application that was docketed UM 1069. In this filing, the company requests the Commission to authorize a deferred account for a one-time tax liability recorded effective December 31, 2002, that represents the temporary timing difference between the tax treatment and book treatment of PGE's income tax deductions for property tax expense. The company would seek amortization on the deferred account in its next general rate filing. This application was filed pursuant to ORS 757.259 and OAR 860-027-0300.

FASB 109 requires all companies to record deferred taxes on temporary book/tax timing differences. Compliance with FASB 109 required PGE to record the one-time deferred tax liability on December 31, 2002.

The timing difference is created when the company pays its property tax on November 15th of each year, covering the fiscal period July 1 through June 30. For book purposes, the tax payments are amortized to expense over the fiscal year and for tax purposes, the full year property tax payment is deducted effective July 1. For accounting purposes and ratemaking purposes, PGE accelerates the

full amount of the tax deduction in the year PGE paid property taxes. PGE claims that customers received a benefit from this approach because the property tax deduction is accelerated for tax purposes, but not for book or ratemaking. That is, they claim that sometime in the past, rates were set using only a half-year (July 1 to December 31) of property tax expense, but because the company deducted a full year of property tax for income tax purposes customers benefited by reducing the income tax expense charged to customers. Staff's position is that a general rate filing always includes a full year of property tax expense; therefore no timing difference occurred and customer rates never reflected the claimed benefit.

All Parties have actively participated in this docket. PGE has responded to a number of Staff data requests. On February 24, 2003, PGE, Commission Staff and the Industrial Customers of Northwest Utilities (ICNU) met to discuss the application and possible settlement. The resulting Stipulation between PGE and Commission Staff protects both customers and the company. Staff believes customers have not received any benefit from the property tax/income tax timing difference; therefore, there is no reason for authorizing the deferred account. The company's concern is that sometime in a future general rate case, staff or other parties may propose that the non-regulated Transition Tax Liability Account should be included as a reduction to rate base. This Stipulation simply provides the company with the assurance that neither the company nor customers will benefit or be harmed by dismissing the accounting application and adopting the stipulation. There will be no effect on PGE's regulatory reporting or rates.

As stated in the Stipulation, PGE and Staff agree that this stipulation represents a compromise in the positions of the Parties. The Parties agree that this stipulation is in the public interest and results in an overall fair, just, and reasonable outcome. Although ICNU declined to sign the Stipulation, they do not object to the Stipulation or to waiving the 20-day comment period for written objections (OAR 860-014-0085(5)) to the Stipulation. Staff, ICNU and PGE are the only parties to this docket.

PROPOSED COMMISSION MOTION:

Portland General Electric's application to defer a temporary book/tax timing difference resulting from its payment of property taxes is dismissed, the Stipulation between Staff and PGE is adopted, and the 20-day comment period for written objections to the Stipulation is waived.

Attachment

pgeum1069