

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1186(1)

In the Matter of)	
)	ORDER
PORTLAND GENERAL ELECTRIC)	
)	
Application for Deferral of ISFSI Tax Credit)	
Cost Reductions.)	

DISPOSITION: DEFERRED ACCOUNTING APPLICATION APPROVED

On December 30, 2005, Portland General Electric Company (PGE) filed a request for approval to defer Independent Spent Fuel Storage Installation (ISFSI) state tax credits, pursuant to OAR 860-027-0300(3), beginning December 31, 2005, for the tax year 2005. PGE seeks approval of this deferral pursuant to ORS 757.259(2)(e). A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A, and incorporated by reference.

At its Public Meeting on March 7, 2006, the Commission adopted Staff's Recommendations and approved PGE's current request.

ORDER

IT IS ORDERED THAT Portland General Electric Company's request to defer Independent Spent Fuel Storage Installation state tax credits, as described in Appendix A, is granted. This approval is for accounting purposes only.

Made, entered, and effective MAR 13 2006

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 7, 2006

REGULAR _____ CONSENT X EFFECTIVE DATE December 31, 2005

DATE: February 9, 2006

TO: Public Utility Commission

FROM: Carla Owings *CO*

THROUGH: *Li* Lee Sparling, *EB* Ed Busch and *JD* Judy Johnson

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1186(1)) Application for Deferral of Independent Spent Fuel Storage Installation State Tax Credit Cost Reductions.

STAFF RECOMMENDATION:

Staff recommends Portland General Electric's request for deferral of Independent Spent Fuel Storage Installation (ISFSI) State Tax Credits beginning December 31, 2005, for the 2005 tax year, be approved for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

DISCUSSION:

On December 30, 2005, Portland General Electric (PGE or the Company) filed an electronic request for reauthorization to defer ISFSI tax credits pursuant to OAR 860-027-0300(3), beginning on December 31, 2005, for the 2005 tax year. On January 3, 2006, a hard copy of the same filing was received by Staff. On March 15, 2005, the Commission issued Order No. 05-136, approving the deferral for the 2004 tax year beginning December 30, 2004.

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

On December 9, 2004, the Environmental Quality Commission granted PGE approval on the final certification of ISFSI expenditures, authorizing a total of \$21.1 million (50% of PGE's share of the certified costs). The State Tax Credits are authorized for use on a

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straight-line basis over ten tax years, with a carry-forward provision that allows any particular tax year's provision to be postponed for up to three tax years.

For any tax year, the maximum Deferral Amount is \$2.25 million (\$21.1 million over 10 years, after federal tax effect and using a Net to Gross Factor of 1.65). The Company proposes to accrue in a deferral account the equivalent of the offset to its monthly income tax expense (calculated on a stand alone basis) using these State Tax Credits. If PGE's monthly tax expense is less than the ISFSI Tax Credit offset, the Company proposes to defer the maximum possible credit considering the potential for a carry-forward in a future tax year. PGE seeks to maximize the potential of the entire ISFSI Tax Credit considering its taxable income and its tax expense accruals.

The Company proposes to accrue interest at its current authorized cost of capital, 9.083%. Interest will accrue appropriate to the timing of actual cash benefits received by PGE. When payments to either its parent corporation or taxing entities are reduced by tax credits, the Company will post the equivalent into the deferral account. PGE will request approval to extend this deferral on an annual basis.

Reason for Deferral

PGE seeks approval of this deferral pursuant to ORS 757.259(2)(e). This deferral will minimize the frequency of rate changes and match appropriately the costs borne and benefits received by ratepayers. PGE's customers have paid for the ISFSI project through their annual \$14.041 million contribution to the Trojan Nuclear Decommissioning Trust, and PGE has committed that customers should receive the benefits of these tax credits.

Absent the deferral mechanism, PGE would seek changes in its base rates to reflect ISFSI tax credits in order to pass the credits to its customers. The Company has agreed to waive any argument pursuant to ORS 757.259(5) requiring the Commission to consider an earnings test prior to approval of the amortization.

Proposed Accounting

PGE proposes to record the deferral as a regulatory liability in FERC Account 254 (Other Regulatory Liabilities) and debit FERC Account 403.7 (Regulatory Debits). Absent approval of this deferral, PGE's net income would increase as a result of lower state tax expense.

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Estimate of Amount

The Company estimated the deferral balance for this account to be approximately \$4.8 million as of December 31, 2005, including the accrual for interest. Staff has reviewed the calculations for this estimated balance and recommends the Commission approve PGE's request to defer ISFSI tax credits for the 2005 tax year. No proposal for amortization of these tax credits has yet been proposed by the Company.

PROPOSED COMMISSION MOTION:

Portland General Electric's request for deferral of Independent Spent Fuel Storage Installation (ISFSI) State Tax Credits beginning December 31, 2005, for the 2005 tax year, be approved for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

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