

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1260

In the Matter of)	
)	
PACIFICORP, dba PACIFIC POWER & LIGHT COMPANY)	ORDER
)	
Application for Authorization of Deferred Accounting of Oregon "Tax Kicker" Income Tax Reduction.)	

**DISPOSITION: DEFERRED ACCOUNTING APPLICATION
APPROVED**

On April 21, 2006, PacifiCorp, dba Pacific Power & Light Company (PacifiCorp or company), filed an application with the Public Utility Commission of Oregon (Commission) for approval to record and defer monetary benefits to the company associated with ORS 291.349, Oregon "Tax Kicker" Savings income tax reduction. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A and incorporated by reference.

The company proposes to record the tax reduction amount in a sub-account of FERC Account 186, Miscellaneous Deferred Debits. In the absence of deferred accounting, PacifiCorp would record the decreases in Oregon income tax in subaccounts of FERC Account 409, Income Taxes. PacifiCorp estimates that about \$2.9 million will be deferred in the 12 months starting April 21, 2006.

At its Public Meeting on September 19, 2006, the Commission adopted Staff's recommendation and approved PacifiCorp's current request.

ORDER

IT IS ORDERED that PacifiCorp, dba Pacific Power & Light Company's application for authorization to defer the monetary benefits to the company associated with the Oregon Tax Kicker income tax reduction is approved.

Made, entered, and effective SEP 26 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.

ITEM NO. CA5

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 19, 2006**

REGULAR _____ CONSENT X EFFECTIVE DATE April 21, 2006

DATE: September 5, 2006

TO: Public Utility Commission

FROM: Ed Durrenberger *Ed*

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

SUBJECT: PACIFIC POWER & LIGHT: (Docket No. UM 1260) Application for Authorization of Deferred Accounting of Oregon "Tax Kicker" Income Tax Reduction.

STAFF RECOMMENDATION:

I recommend the Commission approve Pacific Power & Light's (PacifiCorp or company) request for authorization, under ORS 757.259, to defer monetary benefits associated with the Oregon "Tax Kicker" income tax reduction.

DISCUSSION:

On April 21, 2006, Pacific Power & Light requested authorization to record and defer monetary benefits to the company associated with ORS 291.349 Oregon "Tax Kicker" Savings (Tax Kicker) income tax reduction.

The Tax Kicker establishes procedures under which Oregon taxpayers can receive refunds or credits for income taxes or excise taxes. The refunds or credits occur when tax receipts are more than two percent greater than those estimated for the biennium. This threshold was met in 2005 and Oregon corporate taxpayers received a 35.94 percent reduction to their 2005 Oregon Corporate Excise Taxes. In 1996, PacifiCorp entered into a Memorandum of Understanding (MOU) with the Commission and other parties regarding ORS 291.349. The intent of the MOU was to pass through to ratepayers significant benefits received by the company from the Tax Kicker. Provisions of the memorandum state that the company will defer Oregon allocated tax reductions, net of any directly related Federal Income Tax increases, and to the extent that the revenue requirement of the reductions exceeded 0.1 percent of calendar year 1995 Oregon revenues from sales to customers.

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Description of Expense or Revenue

PacifiCorp proposes to defer, with interest, the amount by which the Tax Kicker reduces Oregon income tax for utility operations in Oregon. The company recommends, and Staff agrees, that the effects of the AR 499 rulemaking should be considered before any decision on the ratemaking treatment of a potential Tax Kicker savings, to avoid the possibility of double counting in an appropriate future ratemaking proceeding.

Reason for Deferral

Adoption of deferred accounting is authorized, pursuant to 757.259(2)(e), under which a deferral mechanism may be authorized in order to minimize the frequency of rate changes or fluctuation of rate levels. Oregon income taxes are allowed expenses for recovery from customers. A reduction in these expenses should be refunded to customers in order to match cost borne by and benefits received by ratepayers.

Proposed Accounting

The company proposes to record the tax reduction amount in a sub-account of FERC Account 186, Miscellaneous deferred debits. In the absence of deferred accounting, PacifiCorp would record the decreases in Oregon income tax in sub-accounts of FERC Account 409, Income taxes.

Estimates of Deferrals in Authorized Period

PacifiCorp estimates that about \$2.9 million will be deferred in the 12 months starting April 21, 2006.

PROPOSED COMMISSION MOTION:

PacifiCorp's request for authorization, under ORS 757.259, to defer the monetary benefits to the company associated with the Oregon Tax Kicker income tax reduction, be approved.

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