

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1186(5)

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY

Requests Approval to Defer Independent  
Spent Fuel Storage Installation State Tax  
Credits.

ORDER

**DISPOSITION: DEFERRED ACCOUNTING APPLICATION APPROVED**

On November 5, 2009, Portland General Electric Company (PGE) filed a request for approval to defer Independent Spent Fuel Storage Installation (ISFSI) state tax credits with the Public Utility Commission of Oregon (Commission). Filing was made pursuant to OAR 860-027-0300(3), and will become effective December 31, 2009 through December 30, 2010, for the 2009 tax year. 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 November 24, 2009, the Commission adopted Staff's Recommendation and approved PGE's current request for accounting purposes only. Ratemaking treatment is reserved for a later ratemaking proceeding.

**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 DEC 02 2009.

BY THE COMMISSION:



*Becky L. Beier*  
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**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. CA7

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: November 24, 2009**

REGULAR  CONSENT  EFFECTIVE DATE December 31, 2009

DATE: November 5, 2009

TO: Public Utility Commission

FROM: Carla Owings 

THROUGH: *is* Lee Sparling, *ME* Ed Busch and *EB* Judy Johnson *JJ*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1186(5)) Requests Approval to Defer Independent Spent Fuel Storage Installation State Tax Credits.

**STAFF RECOMMENDATION:**

Staff recommends Portland General Electric's request for deferral of Independent Spent Fuel Storage Installation (ISFSI) State Tax Credits beginning December 31, 2009, for the 2009 tax year, be approved for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

**DISCUSSION:**

On November 5, 2009, Portland General Electric (PGE or the Company) filed a request for reauthorization to defer ISFSI tax credits pursuant to OAR 860-027-0300(3), effective December 31, 2009 through December 30, 2010, for the 2009 tax year. The Commission has previously issued Order Nos. 05-136, 06-117, 07-084, 08-152 and 08-616 approving the same deferral for the 2004, 2005, 2006, 2007 and 2008 tax years, respectively.

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

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(50 percent of PGE's share of the certified costs). The State Tax Credits are authorized for use on a 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 ten tax years, after federal tax effect and using a Net to Gross Factor of 1.65).

For the 2008 tax period, PGE was able to utilize the available credits. For the 2009 tax period, PGE estimates it will add approximately \$2.3 million to the deferred account only if PGE earns adequate taxable income to use all the credits available. If PGE's 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, which is 8.29 percent. Interest will accrue appropriate to the timing of actual cash benefits received by PGE. When payments to taxing entities are reduced by tax credits, then 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 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 407.3 (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

PGE has provided workpapers to Staff showing a projection of the account balance as of December 31, 2009, of approximately \$22.7 million. Staff has reviewed the calculations for this estimated balance and recommends the Commission approve PGE's request to defer ISFSI tax credits for the 2009 tax year.

**PROPOSED COMMISSION MOTION:**

PGE's request for deferral of Independent Spent Fuel Storage Installation (ISFSI) State Tax Credits effective December 31, 2009 through December 30, 2010, for the 2009 tax year, be approved for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

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