

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1186(6)

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 12, 2010, Portland General Electric Company (PGE) filed a request for approval to defer Independent Spent Fuel Storage Installation state tax credits with the Public Utility Commission of Oregon (Commission). Filing was made under ORS 759.259(2)(3) and OAR 860-027-0300(3), and to be effective December 31, 2010 through December 30, 2011, for the 2011 tax year. 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 December 14, 2010, 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:

1. Portland General Electric Company's request to defer Independent Spent Fuel Storage Installation state tax credits, as described in Appendix A, is granted.
2. This approval is for accounting purposes only. Ratemaking treatment is reserved for a future ratemaking proceeding.

Made, entered, and effective DEC 20 2010.

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. CA10

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 14, 2010**

REGULAR CONSENT EFFECTIVE DATE December 31, 2010

DATE: November 17, 2010

TO: Public Utility Commission

FROM: Carla Bird *CB*

THROUGH: Lee Sparling *MS*, Maury Galbraith *MG* and Judy Johnson *JJ*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1186(6))
Reauthorizes Deferral of 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 State Tax Credits beginning December 31, 2010, for the 2011 tax year, be approved for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

DISCUSSION:

On November 12, 2010, Portland General Electric (PGE or the Company) filed a request for reauthorization to defer Independent Spent Fuel Storage Installation (ISFSI) tax credits pursuant to OAR 860-027-0300(3), effective December 31, 2010 through December 30, 2011, for the 2011 tax period. The Commission has previously approved the same deferral for the 2004 - 2009 tax periods. The most recent reauthorization was issued in Commission Order No. 09-475.

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 deferred 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 any tax period during which PGE evaluates its accrued tax credits and determines whether credits could be expected to be used prior to the expiration of its carry-forward provision, then PGE accrues less than the maximum provision of \$2.25 million.

For the 2008 tax period, PGE accrued approximately \$500,000 of the \$2.25 million. For the 2009 tax period, there was no accrual in the deferred account. For the 2010 tax period, PGE projects that approximately \$1.1 million is at risk for non-use and therefore has reduced the deferral of that benefit at the end of the third quarter of 2010. The Company states that during the period between now and the end of the respective carry-forward period, PGE will continue to assess its ability to use these credits and will again defer any such benefits into the deferred account should the forecast indicate the ability to use the tax credit.

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.

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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.

Estimate of Amount

In its 2009 request for reauthorization, PGE had provided work papers to Staff showing a projection of the account balance as of December 31, 2009, of approximately \$22.7 million. A later update to that filing revealed that PGE had applied a "Valuation Allowance" to remove approximately \$3.1 million from the deferral account based upon the projections of PGE's inability to use all the tax credits generated prior to the expiration of the carry-forward provision.

For this application, PGE has provided workpapers demonstrating a balance of approximately \$17.8 million (including interest) as of December 31, 2010. Staff has reviewed the calculations for this estimated balance and believes that PGE's request benefits ratepayers. Staff recommends the Commission approve PGE's request to defer ISFSI tax credits for the 2011 tax year.

PROPOSED COMMISSION MOTION:

The Commission approve Portland General Electric's request to defer Independent Spent Fuel Storage Installation State Tax Credits beginning December 31, 2010, for the 2011 tax year, for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

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