



**Portland General Electric Company**  
121 SW Salmon Street • Portland, Oregon 97204  
PortlandGeneral.com

October 15, 2010

**Messenger/E-Filing**

Oregon Public Utility Commission  
550 Capitol Street, N.E., Suite 218  
Salem, OR 97301-2551

**Re: UE 178 – Tax Report for 2009**

Attention Filing Center:

Enclosed, you will find the Tax Report for Portland General Electric Company (PGE) to be filed in docket UE 178 pursuant to Senate Bill 408 (SB 408) (codified at ORS 757.267 and 757.268 and OAR 860-022-0041). This Tax Report covers the calendar years 2007, 2008, and 2009, and substantially complies with the rules set forth in OAR 860-022-0041. Upon receipt of a final order from the Commission in this docket, PGE will separately file a tariff to implement a price change as of June 1, 2011, reflecting our 2009 results.

In Order No. 10-249, the Commission amended portions of OAR 860-022-0041, most notably, the treatment of income tax audit and amended tax return payments and refunds and the timing of their recognition under section 5(a)(B) of the rules. The revised section 5(a)(B) delays recognition of refunds under certain circumstances until after the taxing authorities make a final determination with respect to such refunds or tax adjustments. Final determination has not yet been made on the income tax refunds at issue for 2009, however, PGE has interpreted the rule change in such a way that it does not delay recognition of these refunds for the stand-alone method and the deferred tax (normalization) floor until that final determination has been made. This interpretation of section 5(a)(B) and treatment of the income tax refunds is based on section 4(d) of the rules as amended by the Commission in Order No. 07-401 to safeguard against normalization violation. It serves to reduce the amount of “taxes paid” by PGE in the current year, resulting in a refund to customers for calendar year 2009 in this Tax Report. Had these refunds not been used to reduce the stand-alone and normalization floor calculations, this Report for the 2009 calendar year would have reflected a surcharge of approximately \$15 million. Because these refunds are being included in the calculation of “taxes paid” under the stand-alone method and normalization floor for the 2009 calendar year, with the benefit being passed through to customers, we will request confirmation that the impact of these refunds will not be recognized again under the stand-alone method or the normalization floor after the taxing authorities have made a final determination.

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In the table below, we provide the difference between the amount of “taxes paid that are properly attributed to the regulated operations of the utility” and the amount of “taxes authorized to be collected in rates” for each of the years 2007, 2008, and 2009, pursuant to SB 408 and OAR 860-022-0041.

<u>Calendar Year</u>	<u>Difference between “taxes paid” and “taxes authorized to be collected”: <i>refund/(surcharge) to customers</i></u>	<u>Commission Order No.</u>
2007	(14,710,771)	09-126
2008	9,580,752	10-129
2009	2,421,823	

Differences between “taxes paid” and “taxes authorized to be collected in rates” for federal and state taxes will be reflected in Schedule 140. PGE proposes to refund the difference over one year.

PGE uses a balancing account and a dedicated tariff to collect local income taxes. For 2009, the difference between local income taxes paid pursuant to SB 408 and collections of Multnomah County Business Income Taxes (McBIT) will be booked to the balancing account and will be reflected in a future change to the McBIT rate charged to customers through Schedule 106.

The Oregon Legislative Assembly and the Commission have recognized that information contained in the tax report represents commercially sensitive information, the disclosure of which could cause harm to the business producing that information. See UE 178, Order No. 06-033 at 2-3 (2006); ORS 757.267(1)(g) (2006).

We understand that the Protective Order issued in Order No. 06-033 will govern the disclosure of confidential tax information and other commercially sensitive financial information included in this Tax Report. We have treated our tax report and certain work papers as “highly confidential information” and have marked it accordingly.

In accordance with the Memorandum of Understanding proposed by Staff on October 10, 2008, we will provide to Staff an electronic copy of the tax report template for the most recent three years. The templates will be provided on CD and under separate cover.

The location and contact information for the Portland Safe Room is as follows:

Amie Jamieson  
McDowell Rackner & Gibson PC  
419 SW 11<sup>th</sup> Ave., Suite 400  
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The following are the name and addresses of the persons authorized to receive notices and communications with respect to this proceeding:

Patrick G. Hager, Manager Rates and Regulatory Affairs Portland General Electric Company, 1WTC0702 121 SW Salmon Street Portland, OR 97204 (503) 464-7580 (telephone) (503) 464-7651 (fax) <a href="mailto:pge.opuc.filings@pgn.com">pge.opuc.filings@pgn.com</a>	Douglas C. Tingey, Assistant General Counsel Portland General Electric Company, 1WTC1301 121 SW Salmon Street Portland, OR 97204 (503) 464-8926 (telephone) (503) 464-2200 (fax) <a href="mailto:doug.tingey@pgn.com">doug.tingey@pgn.com</a>
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Sincerely,



Randall J. Dahlgren  
Director, Regulatory Policy & Affairs

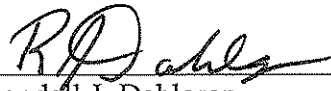
Enclosure

cc: UE 178 Service List – Cover Letter only  
McDowell, Rackner & Gibson PC (Portland Safe Room)

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day caused the foregoing **PORTLAND GENERAL ELECTRIC COMPANY'S UE 178, OCTOBER TAX REPORT COVER LETTER** to be served by electronic mail to those parties whose email addresses appear on the attached service list, and by First Class US Mail, postage prepaid and properly addressed, to those parties on the attached service list who have not waived paper service from OPUC Docket No. UE 178.

Dated at Portland, Oregon, this 15th day of October 2010.



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Randall J. Dahlgren

On behalf of Portland General Electric Company

# Summary Report

## UE 178 AUTOMATIC ADJUSTMENT CLAUSE FILING UNDER SB 408

**Category:** Electric Rate Case

**Filed By:** PORTLAND GENERAL ELECTRIC

In the Matter of

OREGON PUBLIC UTILITY STAFF

Requesting the Commission direct PORTLAND GENERAL ELECTRIC COMPANY to file tariffs establishing automatic adjustment clauses under the terms of SB 408.

(AR 499/UE 177/UE 178/UG 170/UG 171 -- Staff report...

**Filing Date:** 11/22/2005

**Final Order:** 10-129

**Signed:** 11/22/2005

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