



Portland General Electric Company
121 SW Salmon Street • Portland, Oregon 97204

December 15, 2006

E-FILING/US MAIL

OPUC Filing Center
Oregon Public Utility Commission
550 Capitol Street, NE, Suite 215
Salem, OR 97301-2148

Re: Application for Reauthorization of ISFSI Tax Credit Deferral UM 1186

PGE requests reauthorization of the ISFSI Tax Credit Deferral (OPUC Order 05-136) for December 31, 2006, to December 30, 2007.

PGE filed for permission to defer Independent Spent Fuel Storage Installation State Tax Credits. The deferral authorization period began December 30, 2004, with annual reauthorization approvals through OPUC Order No. 06-117.

PGE based its deferral application, and the accounting methodology for that deferral, on its then-existing tax position, which was as a member of the Enron consolidated tax filing. It also relied upon the then-existing regulatory treatment of income taxes, which was based on the "stand alone" method. Accordingly, PGE deferred the ISFSI credits when PGE's stand-alone net income supported the use of these credits on its pro-forma tax return with Enron. This method resulted in a deferral of the credits that offset the impact on PGE's income statement when it claimed the credits against its stand-alone tax liability. Under PGE's Tax Allocation Agreement, the credits could then be used by Enron in its consolidated tax filing. PGE's deferral was not dependent upon whether Enron was ultimately able to use these credits on any consolidated tax returns.

On April 3, 2006, PGE deconsolidated from Enron. At that time, Enron had not used \$15.1 million of Oregon state tax credits, including \$6.3 of ISFSI tax credits, previously claimed by PGE on its pro-forma tax returns with Enron (and, in the case of ISFSI credits, previously deferred). Enron was unable to use any of these credits on their consolidated tax filings due to their net operating loss (NOL) position. However, should a future Oregon audit reveal a positive

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tax liability for Enron, they may still claim these credits, effectively voiding the use of the credits by PGE.

Because Enron has not used these credits, PGE intends to use the Oregon tax credits in future periods on PGE's consolidated Oregon tax returns. PGE does not intend to defer these same ISFSI credits a second time because customers have already received the benefits of these credits, including time value interest, based on PGE's deferral method. In addition, after it becomes certain that Enron cannot use the tax credits, GAAP requires that their use by PGE be treated as a capital contribution on the balance sheet. The use of the returned credits by PGE will not affect PGE's net income. Finally, because PGE deconsolidated from Enron during 2006, PGE will file two tax returns or two tax years for 2006, each of which will defer one year of ISFSI credits.

If you have any questions, please call me at (503) 464-7580, or Launa Harmon at (503) 464-7251.

Sincerely,

/s/Patrick G. Hager
Manager, Regulatory Affairs

encls. Attachments A
cc: Jason Eisdorfer, CUB
cc: Melinda Davison, ICNU
cc: Judy Johnson, OPUC

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1186

In the Matter of the Application of Portland
General Electric Company for an Order to
Reauthorize the Deferral of Independent Spent
Fuel Storage Installation State Tax Credit Cost
Reduction

APPLICATION FOR
REAUTHORIZATION TO
DEFER ISFSI STATE
TAX CREDITS

Pursuant to ORS 757.259, OAR 860-027-0300 and OPUC Order No. 01-777 (Appendix B, Item S-45, pages 8-9), Portland General Electric Company ("PGE") requests reauthorization to defer for later ratemaking treatment certain Independent Spent Fuel (ISFSI) state tax credits, ("ISFSI Deferral" or "Deferred December 31, 2006, through December 30, 2007, (the "Deferral Period").

I. Deferral History

On December 9, 2004, the Environmental Quality Commission granted PGE approval of the final certification of ISFSI expenditures, authorizing state tax credits totaling \$21.1 million (50% of PGE's share of the certified costs). The State Tax Credits are authorized for use on a straight-line basis over ten years, with a carry-forward provision that allows any particular tax year's provision to be postponed for up to three tax years.

The ISFSI is a dry cask storage system, which provided 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 30, 2004, PGE filed and requested authorization to defer for later

ratemaking treatment those cost reductions associated with the use of Independent Spent Fuel Storage Installation (ISFSI) Oregon state tax credits. PGE received approval of the deferral on March 15, 2005, OPUC Order No. 05, 136, for the 2004 tax year.

On December 30, 2005, PGE filed an electronic request considered a supplemental application by Staff, requesting reauthorization of the deferral of ISFSI tax credits pursuant to OAR 860-027-0030(3), beginning on December 31, 2005. The OPUC reauthorized this deferral on March 13, 2006, for the 2005 tax year, OPUC Order No. 06-117.

II. OAR 860-027-0300 Requirements

The following is provided pursuant to OAR 860-027-0300(3):

a. Description

See the Deferral History above. For any tax year, the maximum Deferral Amount is \$2.25 million per year (\$21.1 million over ten years, after federal tax effect and using a Net to Gross Factor of 1.65%). For tax years during which PGE accrues less than the maximum provision of the ISFSI tax credit (\$2.1 million) because anticipated stand-alone state tax expense is less than \$2.1 million, PGE will calculate the Deferral Amount based on the actual ISFSI tax credit accrued.

b. Reasons for Deferral

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

deferral will minimize the frequency of rate changes. Absent the deferral mechanism, PGE would seek changes in its base rates to reflect ISFSI tax credits in order to pass the credits to customers. The deferral of these credits allows them to be accumulated for later customer refund.

c. Proposed Accounting

PGE proposes to record the deferral as a regulatory liability in FERC Account 254 (Other Regulatory Liabilities), debiting FERC Account 407.3 (Regulatory Debits). In the absence of a renewed deferred accounting order, PGE's net income would increase as a result of lower state tax expense as booked in FERC Account 409.1 (Income Taxes, Utility Operating Income) when the ISFSI tax credits are utilized.

PGE will accrue interest, as appropriate, on the Deferral Amount at PGE's authorized cost of capital, currently 9.083%.

d. Estimate of Amounts

For December 31, 2006, through December 30, 2007, PGE estimates adding \$2.3 million to the deferred account if PGE earns adequate taxable income to use all the credits available.

The actual deferred amount may be more or less depending on PGE's state taxable income, actual tax expense and the provision for a three-year carry forward into future tax years.

e. Notice

A copy of the Notice of Application for Reauthorization to Defer ISFSI state tax credits and a list of persons served with the Notice are attached to the Application as Attachment A.

III. The following is provided pursuant to OAR 860-027-0300(4):

a. Description of Deferred Account Entries

Please see section (II)(c)

b. The reason for continuing deferred accounting

PGE is seeking approval to continue the ISFSI Deferral pursuant to conditions approved in Commission Order No. 05-136 as described in Section (II)(b) above, for the 2006 tax year.

IV. PGE Contacts

The authorized address to receive notices and communications in reference to this Application are:

Inara Scott
Assistant General Counsel
Portland General Electric Company
121 SW Salmon Street, 1WTC1301
Portland, Oregon 97204
Phone: 503-464-7831
Facsimile: 503-464-2200
Inara.Scott@pgn.com

PGE-OPUC Filings
Rates & Regulatory Affairs
Portland General Electric Company
121 SW Salmon St., 1WTC0702
Portland, OR 97204
(503) 464-7857 (telephone)
(503) 464-7651 (fax)
pge.opuc.filings@pgn.com

V. Conclusion

For the reasons stated above, PGE requests permission to defer ISFSI state tax credits from December 31, 2006 until December 30, 2007, for the tax year 2006.

DATED this 15th day of December 2006.

Respectfully Submitted,

/s/Patrick G. Hager
Manager, Regulatory Affairs
On Behalf of Portland General Electric Company

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Attachment A

**Notice of Application for Reauthorization
to ISFSI State Tax Credits**

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1186

In the Matter of the Application of Portland
General Electric Company for an Order to
Reauthorize the Deferral of ISFSI State Tax
Credits

NOTICE OF APPLICATION
FOR REAUTHORIZATION
TO DEFER ISFSI STATE TAX
CREDITS

On December 15, 2006, Portland General Electric Company ("PGE") filed an Application with the Oregon Public Utility Commission (the "Commission") for an Order reauthorizing deferral of ISFSI state tax credits. Approval of PGE's Application will not authorize a change in PGE's rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding. Persons who wish to obtain a copy of PGE's Application should contact either of the following:

Inara Scott
Assistant General Counsel
Portland General Electric Company
121 SW Salmon Street, 1 WTC 1301
Portland, Oregon 97204
Phone: 503-464-7831
Facsimile: 503-464-2200
Inara.Scott@pgn.com

PGE-OPUC Filings
Rates & Regulatory Affairs
Portland General Electric Company
121 SW Salmon St., 1 WTC-0702
Portland, OR 97204
(503) 464-7857 (telephone)
(503) 464-7651 (fax)
pge.opuc.filings@pgn.com

Any person who wishes to submit written comments to the Commission on PGE's Application must do so not later than January 20, 2007.


Dated this 15th day of December, 2006.

/s/Patrick G. Hager
Manager, Regulatory Affairs
Portland General Electric Company

CERTIFICATE OF SERVICE

I certify that this day I have served notification of the foregoing **APPLICATION FOR REAUTHORIZATION OF ISFSI TAX CREDIT DEFERRAL** on the persons shown on the attached Service List by mailing a copy by First Class U.S. Mail, postage prepaid, properly addressed to each.

Dated this 15th day of December 2006.


Randy Dahlgren



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Public Utility Commission

eDockets

Docket Summary

Docket No: UM 1186

Docket Name: PORTLAND GENERAL ELECTRIC

[Print Summary](#)

Subject Company: PORTLAND GENERAL ELECTRIC

In the Matter of PORTLAND GENERAL ELECTRIC Application for Deferral of ISFSI Tax Credit Cost Reductions. Filed by F Hager.

Filing Date: 12/30/2004

Final Order: 06-117

Order Signed: 3/13/2006

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ACTIONS		SERVICE LIST (Parties)		SCHEDULE
W=Waive Paper service	C=Confidential HC=Highly Confidential		<u>Sort by Last Name</u>	<u>Sort by Company Name</u>
	PORTLAND GENERAL ELECTRIC CO. RATES & REGULATORY AFFAIRS		PORTLAND GENERAL ELECTRIC COMPANY 121 SW SALMON ST 1WTC0702 PORTLAND OR 97204 pge.opuc.filings@pgn.com	
	CITIZENS' UTILITY BOARD OF OREGON			
	LOWREY R BROWN UTILITY ANALYST		610 SW BROADWAY - STE 308 PORTLAND OR 97205 lowrey@oregoncub.org	
	JASON EISDORFER ENERGY PROGRAM DIRECTOR		610 SW BROADWAY STE 308 PORTLAND OR 97205 jason@oregoncub.org	
	PORTLAND GENERAL ELECTRIC			
	V DENISE SAUNDERS ATTORNEY		121 SW SALMON ST 1WTC1301 PORTLAND OR 97204 denise.saunders@pgn.com	

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