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**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UM 815

)

In the Matter of the Application by Staff of )  
the Public Utility Commission of Oregon )  
for an Order Requiring Deferral of Certain ) ORDER  
Tax Savings of Electric and Natural Gas )  
Utilities Pursuant to ORS 757.259. )

)

**DISPOSITION: DEFERRALS APPROVED WITH CONDITIONS**

On August 30, 1996, the Public Utility Commission Staff filed an application, pursuant to ORS 757.259 and OAR 860-027-0300, requesting approval of a Memorandum of Understanding (MOU) authorizing certain regulated electric and natural gas utilities to defer certain Oregon excise tax savings. Utilities affected by the application include Portland General Electric Company (PGE), PacifiCorp (PP&L), Idaho Power Company (IPCO), Northwest Natural Gas Company (NNG), Cascade Natural Gas Corporation (CNG) and the Washington Water Power Company (WPNG).

At its October 8, 1996, public meeting, the Commission considered this matter and adopted Staff's recommendation to approve the Memorandum of Understanding, deferring certain tax savings.

## Discussion

ORS 291.349 provides Oregon taxpayers with a refund or credit of income or excise tax when tax receipts exceed projections by two percent or more. Corporate taxpayers received refunds or credits equal to 50.1 percent of the 1995 Oregon income or excise taxes otherwise payable.

The application provided notice that comments could be filed with the Oregon Public Utility Commission. No comments were filed and no one requested a hearing.

Staff's application followed several conferences with regulated electric and natural gas utilities. The conferences produced a Memorandum of Understanding (MOU) between Staff and the utilities as to the treatment of these tax savings. This agreement is attached as Attachment A.

The MOU states that the utilities will defer 1995 tax savings, net of directly related federal income tax liabilities, to the extent that the revenue requirement effect of such reductions exceeds 0.1 percent of 1995 Oregon retail revenues. Furthermore, the parties agreed they will not raise issues in the current proceedings regarding the deferral filing date. In the future, under similar circumstances, the parties have agreed to file deferral applications by the end of the calendar year in which the savings are announced.

Estimated deferrals and related revenue requirements are as follows:

Company	Deferrals	Revenue Req. of Deferrals	Percent of Revenues
PGE	\$3,784,000	\$6,244,000	0.67
NNG	\$807,000	\$1,332,000	0.44
PP&L	\$0	\$0	*
WPNG	\$99,000	\$163,000	0.46
CNG	\$12,000	\$20,000	0.07
IPCO	\$0	\$0	*

\* Neither PP&L nor Idaho Power would defer under the agreement. PP&L savings were included in Docket UE 94, the Company's current general rate case. Idaho Power's allocated savings are less than the threshold amount.

# ORDER

IT IS ORDERED that Staff's application requesting approval of a Memorandum of Understanding authorizing certain regulated electric and natural gas utilities to defer certain Oregon excise taxes, is granted, subject to the following conditions:

1. All utilities shall file, as soon as possible, a copy of the journal entries recording the deferral.
2. All utilities shall notify the Commission of future tax refunds or credits, issued pursuant to ORS 291.349, within 15 days of receiving notice that tax reductions will occur.

Made, entered, and effective \_\_\_\_\_.

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**Roger Hamilton**

Chairman

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**Ron Eachus**

Commissioner

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**Joan H. Smith** Commissioner

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 of 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. A party may appeal this order to a court pursuant to ORS 756.580.

