

UNITED STATES OF AMERICA
U.S. DEPARTMENT OF ENERGY
BEFORE THE BONNEVILLE POWER ADMINISTRATION

FY 2009 ASC Filings Expedited Process

Avista: Docket No. AV-PB-08-01
PacificCorp: Docket No. PA-PB-08-1
Portland General Elec: Docket No. PG-PB-08-01
Idaho Power Co: Docket No. IP-PB-08-01
Northwestern Energy: Docket No. NW-PB-08-01
Puget Sound Energy: Docket No. PS-PB-08-01
Franklin County PUD: Docket No. FR-PB-08-01
Snohomish Co. PUD: Docket No. SN-PB-08-01
Centralia PUD: Docket No. CE-PB-08-01

PUBLIC UTILITY COMMISSION OF OREGON ISSUES LIST

The Public Utility Commission of Oregon “OPUC” intends to address, and asks the Administrator to consider, the following issues in connection with the Bonneville Power Administration’s 2008 ASC Methodology proposal:

Whether all taxes levied on a utility and related to resource costs, including franchise fees, state income taxes, certain property taxes (e.g., on headquarters), should be included in the utility’s ASC?

The OPUC believes all taxes levied on a utility and related to resource costs should be included in the utility’s ASC. First, state and local taxes are a cost of doing business. Those related to resource costs should be included in the utilities’ ASC.

To the extent that BPA is concerned that including such taxes will socialize certain costs imposed by local and state government, the concern is misplaced. A key objective of the Northwest Power Act is to provide wholesale rate parity among utilities. To the extent BPA excludes costs it is more difficult to achieve wholesale rate parity. Some states may have higher taxes because they are more rural in nature and thus have a smaller tax base by which to spread governmental costs. Nevertheless those higher tax levels should be included in ASC.

An analogous example is found in the Regional Preference Act, (16 U.S.C. §§ 837 *et seq.*), which provides for the low density discount. By offering this discount, BPA recognizes that rural utilities have higher costs due to a more sparse distribution network where economies

of scale are not achieved. BPA's low-density discount serves to socialize costs of the utility with other customers. Given the precedent of the low density discount, BPA should not exclude state and local taxes from utilities' ASC.

Whether regulatory fees imposed on a utility and related to resource costs should be included in the utility's ASC?

Under Oregon statute, public utilities must pay to the OPUC an annual fee to defray the OPUC's costs in performing its statutory obligations.¹ The fee is a significant cost to utilities operating in Oregon. Much of the OPUC's regulatory activities include annual reviews of utility generation power costs, review and monitoring of utility integrated resource planning, review of Energy Trust activities, carbon regulation and transmission coordination focusing on wind integration, estimating the investor return required for investing in the utility, review utility financing applications for securing funds to pay for new generation resources, and actively participating in BPA forums, dockets and residential exchange issues. The OPUC acknowledges that the entire fee is not a resource cost, in that a portion of the fee is for the purpose of defraying the Commission's costs associated with regulating the distribution function of electricity. However, as can be seen from the above discussion, OPUC oversight involves significant activities on resource-related issues. Therefore, the OPUC fee should be included in ASC calculations and allocated over generation, transmission and distribution in relation to their total costs.

¹ ORS 756.310.