

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

ASC METHODOLOGY REVIEW
PROCEEDING

**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 issue 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.

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Respectfully submitted,

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