

**REVENUE: No revenue impact**

**FISCAL: No fiscal impact**

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<b>Action:</b>	Do Pass
<b>Vote:</b>	8 - 0 - 0
<b>Yeas:</b>	Conger, Doherty, Esquivel, Hoyle, Johnson, Matthews, Kennemer, Schaufler
<b>Nays:</b>	0
<b>Exc.:</b>	0
<b>Prepared By:</b>	Theresa Van Winkle, Administrator
<b>Meeting Dates:</b>	5/2

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**WHAT THE MEASURE DOES:** Repeals the provisions of Senate Bill 408 (2005), which governs the adjustment of public utility rates to account for taxes paid by electric and natural gas utilities. Requires the Public Utility Commission to consider taxes paid by electric and natural gas utilities when conducting ratemaking proceedings. Allows the Commission to adjust the estimated income tax expense for a utility that is part of an affiliated group. Requires the Commission to balance confidentiality of tax documents for an affiliated group in ratemaking proceedings with the need by the Commission and intervenors for information in such documents. Allows the Commission to consider taxes paid when approving the merger or acquisition of a utility. Declares an emergency, effective upon passage.

**ISSUES DISCUSSED:**

- Provisions of the measure

**EFFECT OF COMMITTEE AMENDMENT:** No amendment.

**BACKGROUND:** In an attempt to close the gap between the amount of taxes that are collected from utility customers and what is actually paid to state, federal, and local governments, Senate Bill 408 (2005) required public utilities to file an annual tax report to the Public Utility Commission (PUC) on or before October 15 following the year for which the report is being made. Within 90 days after receiving the report, the PUC is required to review the report and determine whether the amount of taxes assumed in rates or otherwise assessed to ratepayers differs from the amount of taxes actually paid to units of government. If a difference occurs, the PUC is directed to require the utility to implement an automatic adjustment clause, which provides for rate increases or decreases, or both, reflecting any changes in costs incurred or revenues earned by a utility. The provisions of Senate Bill 408 affect four regulated electric and gas utilities in Oregon - Portland General Electric, PacifiCorp, NW Natural, and Avista.

Senate Bill 967 repeals the provisions of Senate Bill 408 while maintaining its intent of balancing the interests of utility customers and a utility's investors by setting fair, just, and reasonable rates that includes amounts for income taxes. The measure requires the PUC during its ratemaking proceedings to calculate both current and deferred income taxes into utility rates. For utilities that are not owned by a consolidated taxpaying group, the Commission must include tax liabilities and tax credits, and other related benefits associated with the provisions of regulated gas and electric service. If a utility is owned by an "affiliated group" (a group of corporations in which the public utility is a member), the Commission must look at the parent company's taxpaying history, whether the utility is being held in either an over-leveraged or tax-advantaged structure, as well as other matters deemed relevant by the Commission to protect public interest.

Senate Bill 967 prohibits the Commission from using tax information obtained during the ratemaking process for any other purpose except for provisions related to the ratemaking process. The measure also requires the Commission to adopt administrative rules that identify documents and tax information that a utility owned by an affiliated group must file in its initial filing in a rate proceeding, and the procedures for intervenors to obtain and use documents and tax information during the proceeding.

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***This summary has not been adopted or officially endorsed by action of the committee.***