PGE paid $10 in tax to Oregon for 2002

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Enron-owned Portland General Electric paid state income taxes of $10 in 2002, an amount certain to deepen controversies about the tax obligations of Oregon's largest utility.

Typically, PGE's state income tax bill reaches into the millions. In the tax years 1997 through 2001, the utility paid anywhere from $9.3 million to $13.6 million in state income taxes annually.

Even those payments have proved controversial because they apparently ended up in Houston as part of Enron's consolidated tax returns and never reached state coffers.

For the 2002 tax year, Enron dropped PGE from its consolidated tax group, and PGE paid its taxes directly to the Oregon Department of Revenue. The check totaled just $10, the minimum bill possible for a corporation. PGE's tax return underscores the steep drop in corporate income tax collections that has contributed to the state's budget problems since the economic recession hit in early 2001.

Enron, now bankrupt, gained notoriety for manipulating corporate profits and losses. PGE attributed the paltry tax payment to a faltering economy and declines in electricity use by business and residential customers.

"We didn't have a very good year from an earnings perspective," said Jim Piro, PGE's chief financial officer. "You've got to have income to pay taxes."

PGE reported earnings of $66 million in 2002, better than 2001 earnings of $34 million but a considerable decrease from 2000, 1999 and 1998, when PGE made more than $100 million annually.

Piro said PGE paid more taxes in 2001 than 2002, despite lower income, because of differences in deferrals and other adjustments claimed on the tax returns each year.

The calculations used in a corporate income statement can differ significantly from those that yield the annual tax bill under U.S. accounting standards.

PGE included in its 2002 earnings statement, for example, $42 million in deferred power costs, even though the revenue has yet to be collected. For tax purposes, PGE excluded the deferral.

Don Jones, a supervisor with the Revenue Department's corporate section, wouldn't comment directly on PGE's taxes or how they are calculated. He said, however, that "book reporting," which shows up on income statements, and tax reporting "are two different things."

PGE's explanation doesn't appease critics, who strenuously object to the way PGE pays its taxes. Since Enron bought PGE in 1997, PGE has paid its corporate parent $406.7 million in federal income taxes and $56.7 million in state income taxes. During those five years - 1997 through 2001 - Enron reportedly paid little, if any, taxes to either the Internal Revenue Service or the Oregon Revenue Department.

Until the middle of 2001, PGE was part of Enron's consolidated tax group. Consolidation, common among large corporations with multiple holdings, allows the parent corporation to lump the finances of subsidiaries together to produce the most favorable tax results.

Oregon income taxes are based on federal tax liabilities. If there's no federal tax, there's likely no state tax.

Enron "sucks money out of ratepayers in Oregon, offsets it against losses elsewhere and pockets the money," said Dan Meek, an attorney and utility reform activist.

At the end of 2002, Enron decided to reconsolidate PGE into its other holdings for tax purposes. The Revenue Department does not release information on individual tax accounts. PGE said it made its payments to Enron until May 2001 and doesn't know what its parent did with the money.

PGE, along with other investor-owned utilities, files some tax information with state and federal regulators, however. A report submitted on Thursday disclosed the $10 state income tax payment. PGE confirmed that the check went directly to the Revenue Department.

The 2001 payment, most of which went to Enron, totaled $9.3 million.

PGE's federal income tax payment for 2002 was $210,508, according to the regulatory filing. In 2001, it was $22.7 million.

PGE customers foot the bill for taxes because state regulators allow the utility to recover the expense in its rates. Currently, ratepayers contribute $15.6 million annually for state income taxes and $77 million annually for federal income taxes. Those payments, part of the utility's rate formula, are based on projected earnings.
Jason Eisdorfer, an attorney with the Citizens' Utility Board, the consumer watchdog group, was surprised by such a small 2002 tax bill. "Ten dollars? That sounds amazingly low," he said. "On the one hand, it was a rough year for PGE. On the other hand, it's not like they lost money. "It would behoove the Department of Revenue to, in the very least, take a close look at the filing," he said. Audits of corporate income tax returns are not automatic, said Jones, with the Revenue Department. "Just like the IRS, it's a matter of resources," he said. "You can't touch every taxpayer, individual or corporate."

Meek recently filed a petition with the Oregon Public Utility Commission, demanding an investigation into PGE's tax payments and seeking ratepayer refunds for any taxes that had failed to reach the appropriate taxing authorities.

The PUC ruled that it lacked the authority to launch such an investigation. Commissioner Joan Smith said again Thursday that the PUC couldn't force the utility to disclose more information about its taxes, including precisely how much was paid to the state since 1997. But she suggested PGE release details anyway. "I think they have an extra burden here to assure people they're good corporate citizens," Smith said. Gail Kinsey Hill: 503-221-8590, gailhill@news.oregonian.com

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