Portland General Electric
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PortlandGeneral.com

April 13, 2018

via email
puc.filingcenter@state.or.us

Public Utility Commission of Oregon
Attn: OPUC Filing Center
201 High Street, Ste. 100
P. O. Box 1088
Salem, OR 97308-1088

Re: **UM 1920 Supplemental Application for Deferred Accounting of Benefits Associated with the U.S. Tax Reconciliation Act**

Enclosed for filing is Portland General Electric Company's supplemental application for deferred accounting of benefits associated with the U.S. Tax Reconciliation Act.

If you have any questions or require further information, please call me at (503) 464-7805 or Alex Tooman at (503) 464-7623. Please direct all formal correspondence, questions, or requests to the following e-mail address: pge.opuc.filings@pgn.com

Sincerely,

Stefan Brown
Manager, Regulatory Affairs

Encls.
cc: CUB
AWEC

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1920

In the Matter of the Application of Portland General Electric Company for an Order Approving the Deferral of 2018 net benefits Associated with the U.S. Tax Reconciliation Act	)))))	**Supplement to Application for the Deferral Of 2018 Net Benefits Associated with the U.S. Tax Reconciliation Act**

Pursuant to ORS 757.259 and OAR 860-027-0300, Portland General Electric Company (PGE) respectfully supplements its request for Commission authorization to defer for later rate-making treatment the 2018 expected net benefits associated with the tax rules and provisions implemented through the Tax Reconciliation Act, Public Law Number 115-97 (Tax Plan) enacted on December 22, 2017.[1]

I. Calculation of Estimated Deferral Amounts

On December 29, 2017 PGE filed its initial application to defer the 2018 expected net benefits associated with the Tax Plan legislation. After initial evaluation, PGE has determined that the Tax Plan has implications on PGE's financial statement reporting in both 2018 and year-end 2017, which consist of the following:

1. Reduction of the corporate federal income tax rate from 35% to 21% beginning January 1, 2018 impacting current and deferred income tax expense.
2. Elimination of the Domestic Production Activities Deduction.
3. Reduction of production tax credits related to wind energy to reflect the lower gross-up for taxes.

[1] An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018.

4. Revaluation of accumulated deferred income taxes (ADIT) with treatment of resulting excess ADIT specified by generally accepted accounting principles (GAAP) and IRS normalization requirements (IRS Normalization) as follows:
    a. Approximately $320 million of excess ADIT is "protected" under IRS Normalization, such that approximately $8 million of the excess ADIT will be amortized in 2018 using the average rate assumption method (ARAM); and
    b. Approximately ($17 million) of estimated net excess ADIT is "unprotected" under IRS Normalization, such that it was amortized at year-end 2017, in accordance with GAAP.[2]
5. Inclusion of other tax disallowances (e.g., meals).

Because of the length and complexity of the legislation, PGE continues to evaluate the Tax Plan's implications. We have, however, prepared a preliminary estimate of the net amount to refund to customers as a result of the Tax Plan. This current estimate is a range of approximately $25 million to $30 million and is based on the following criteria:

1. PGE analysis of its actual results of operations forecast for 2018 on the basis of "with tax reform" and "without tax reform" impacts.
2. The final "with" and "without" versions will be calculated based on Column 1 of the PGE's 2018 Results of Operations Report. This column represents the utility's Regulated Actual Results because it excludes non-regulatory and non-utility accounts.
3. The deferred amount is the difference between the final federal income taxes as calculated by the "with" and "without" versions based on the specific Tax Plan impacts to 2018 financial results. To this, we add amounts associated with year-end 2017 financial results

[2] The final amount will not be determined until PGE files its 2017 federal tax return.

as noted in 4(b) above. The final tax amount must then be grossed up for taxes when identifying the amount to defer and refund in prices.

4. Because PGE has filed a general rate case to be effective January 1, 2019, the deferral would be for one year only (i.e., January 1 2018 through December 31, 2018).
5. Although an earnings review is applicable in accordance with ORS 757.259(5), and as discussed below, due to the preliminary nature of the current estimate, PGE has prepared this estimate without the determination of a 2018 earnings review.

As noted above and in PGE's initial filing, ORS 757.259(5) specifies that an earnings review be applied to this deferral. More specifically, PGE proposes that the earnings review be applied as follows:

1. An earnings review is applicable during the deferral period by comparison with the utility's authorized return on equity (ROE).
2. The earnings review will be based on Column 5 of PGE's Results of Operations Report. This column represents PGE's Regulated Adjusted Results because it includes Type 1 Regulatory Adjustments as determined by Commission decisions in recent general rate cases.
3. This method will produce a Regulated Adjusted ROE, which would be compared to PGE's authorized ROE for the period to determine the final Tax Plan deferral for refund to customers.
4. As part of the earnings review, the final Tax Plan deferral would be determined in conjunction with all other applicable deferrals such that:
   a. If the sequence of deferral amortizations results in a refund to customers, PGE will refund an amount such that the resulting regulated adjusted ROE would be no lower than PGE's authorized ROE.

b. If the sequence of deferral amortizations results in a collection from customers, PGE will collect an amount such that the resulting regulated adjusted ROE would be no higher than PGE's authorized ROE.

5. Because PGE has a power cost adjustment mechanism (PCAM), the earnings review for the Tax Plan deferral would occur after the earnings review for the PCAM but prior to earnings reviews for other deferrals subject to ORS 757.259.

II. Conclusion

For the reasons stated in PGE's initial UM 1920 application and the additional information provided above, PGE continues to request permission to defer the 2018 net benefits associated with the implementation of the U.S. Tax Plan.

DATED this April 13, 2018.

Respectfully Submitted,

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