

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT**

**PUBLIC MEETING DATE: December 14, 2021**

**REGULAR**  **CONSENT**  **EFFECTIVE DATE** November 27, 2021

**DATE:** December 3, 2021

**TO:** Public Utility Commission

**FROM:** Mitchell Moore

**THROUGH:** Bryan Conway, John Crider, and Matt Muldoon **SIGNED**

**SUBJECT:** PACIFIC POWER:  
(Docket No. UM 1983(3))  
Requests reauthorization to use deferred accounting for expenses related to the Multnomah County Business Income Tax.

**STAFF RECOMMENDATION:**

Approve Pacific Power's (PacifiCorp, PAC, or Company) request to authorize the deferral of revenues and expenses associated with the Multnomah County Business Income Tax (MCBIT) for the 12-month period beginning November 27, 2021.

**DISCUSSION:**

Issue

Whether the Commission should approve Pacific's request for authorization to defer revenues and expenses associated with the collection and remittance of the MCBIT.

Applicable Law

PacifiCorp makes this filing in accordance with ORS 757.259 and OAR 860-027-0300. ORS 757.259(2)(e) authorizes the Commission to allow a utility to defer, for later recovery in rates, expenses or revenues in order to minimize frequency of rate changes or to match appropriately the costs borne by and benefits received by customers. OAR 860-027-0300 sets forth several requirements for applications to defer.

## Analysis

### *Background*

The Company maintains a balancing account to accrue any difference between the Company's actual MCBIT expense and what is collected from customers. Each year, the Company makes an advice filing to adjust the rate to reflect the Company's projections of the MCBIT tax expense for the coming year, as well as incorporating any residual balance from the previous year.

The Company determines the MCBIT Rate by forecasting its expected MCBIT tax liability for the next calendar year and adding this forecasted amount to the expected over- or under-collection of the prior year MCBIT taxes. This total amount is then divided by the forecasted revenues for Multnomah County to determine the final MCBIT Rate.

The deferred amounts may result in an increase or a decrease in the MCBIT rate for the following year.

### *Proposed Accounting*

PacifiCorp proposes to account for the expenses and revenues associated with the MCBIT by recording the deferrals in Account 182.3, Other Regulatory Assets. The Company proposes to amortize the deferral as part of its adjustment to rates with its annual Schedule 103 filing updating the MCBIT expense.

### *Estimated Deferrals in Authorization Period*

PacifiCorp does not provide an estimate of the amount subject to deferral for the upcoming 12-month period since the amount is dependent on the actual tax assessed by Multnomah County and customer usage, which collects, on a variable basis, the revenues for MCBIT. PacifiCorp estimates MCBIT taxes in 2022 to be approximately \$282,000.

### *Information Related to Future Amortization*

- Earnings review – An earnings review is required prior to amortization, pursuant to ORS 757.259(5).
- Prudence Review – A prudence review is required prior to amortization and should include the verification of the accounting methodology used to determine the final amortization balance.
- Sharing – One hundred percent of the deferred balance is subject to utility recovery, pending a prudence review.

- Rate Spread/Design – The costs are allocated among all Multnomah County customers on an equal cents per kilowatt basis.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility’s gross revenues for the preceding year.

### Conclusion

As the Company’s application meets the requirements of ORS 757.259 and OAR 860-027-0300, and the reason for the deferral is valid, Staff recommends the Commission approve PacifiCorp’s application.

### **PROPOSED COMMISSION MOTION:**

Approve Pacific Power’s request to authorize the deferral of revenues and expenses associated with the MCBIT for the 12-month period beginning November 27, 2021.