



**Portland General Electric**  
121 SW Salmon Street • Portland, Ore. 97204  
PortlandGeneral.com

December 18, 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 \_\_\_\_ PGE's Application for Deferral of Net Benefits or Costs Associated with PGE's R&D Income Tax Credits**

Enclosed for filing is Portland General Electric Company's Application for Deferral of Net Benefits or Costs Associated with PGE's R&D Income Tax Credits.

A Notice regarding the filing of this application has been provided to the parties on the UE 335 service list.

Parties who wish to receive a copy of this Application should review the Public Utility Commission of Oregon (OPUC) website.

Thank you for your assistance in this matter. If you have any questions or require further information, please call me at (503) 464-7805 or Marco Espinoza at (503) 464-7090. Please direct all formal correspondence, questions, or requests to the following e-mail address [pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com).

Sincerely,

A handwritten signature in blue ink, appearing to read "Stefan Brown", is written over a faint, larger version of the same signature.

Stefan Brown  
Manager, Regulatory Affairs

*SB:np*  
*Enclosure*

cc: UE 335 Service List

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM \_\_\_\_\_

In the Matter of the Application of Portland General Electric Company for an Order Approving the Deferral of Net Benefits or Costs Associated with PGE's R&D Income Tax Credits

**Application for Deferral of Net Benefits or Costs Associated with PGE's R&D Income Tax Credits**

Pursuant to ORS 757.259 and OAR 860-027-0300, Portland General Electric Company ("PGE") hereby respectfully requests authorization to defer for later rate-making treatment the net benefits or costs (the "Deferred Amount") that will be associated with PGE's actual research and development income tax credits ("R&D tax credits") and the costs of a consultant to perform the studies to determine the proposed R&D tax credits to claim on PGE's income tax returns. PGE makes this request to preserve the net benefit or cost of each Deferred Amount vintage (described below) for an eventual adjustment to reflect the final, actual Deferred Amount. PGE will seek amortization of the Deferred Amount in a future Commission proceeding. In support of this Application, PGE states:

1. PGE is a public utility in the state of Oregon and its rates, services and accounting practices are subject to the regulation of the Public Utility Commission of Oregon ("Commission" or "OPUC").
2. This Application is filed pursuant to ORS 757.259, which allows the Commission, upon application, to authorize deferral of certain items for later incorporation in rates.
3. Written communications regarding this Application should be addressed to:

PGE-OPUC Filings  
Rates & Regulatory Affairs  
Portland General Electric,  
1 WTC0306  
121 SW Salmon Street  
Portland, Oregon 97204  
Phone: 503.464.7805  
E-mail: pge.opuc.filings@pgn.com

Douglas C. Tingey  
Associate General Counsel  
Portland General Electric,  
1 WTC1301  
121 SW Salmon Street  
Portland, Oregon 97204  
Phone: 503.464.8926  
E-mail: Doug.Tingey@pgn.com

In addition to the names and addresses above the following are to receive notices and communications via the e-mail service list:

Stefan Brown, Manager, Regulatory Affairs  
E-mail: [stefan.brown@pgn.com](mailto:stefan.brown@pgn.com)

**I. OAR 860-027-0300(3) Requirements**

The following is provided pursuant to OAR 860-027-0300(3).

**A. Background**

In OPUC Docket No. UE 335, PGE filed a third partial stipulation (dated September 6, 2018) that resulted in an agreement that PGE will hire a consultant to determine how much of PGE's costs (including the Customer Touchpoints project) qualify for the R&D tax credit. The stipulation also specified that any net benefit resulting from the study will be refunded to customers and any net costs will be split evenly between PGE's customers and shareholders.

The R&D Tax Credit is a federal and state tax incentive for the performance of qualified research within the U.S. to develop new or improved products, processes, or software. The R&D credit is calculated as a percentage of qualified expenses determined by §41 of the Internal Revenue Code and by ORS 317.152. The R&D tax credit must be utilized before production tax credits (PTCs) such that the use of R&D tax credits could delay the use of PTCs, which could increase the PTC carryforward balance.

**B. Reasons for Deferral**

Pursuant to ORS 757.259(2)(e), for the reasons discussed above, PGE seeks deferred accounting treatment of the net benefits or costs associated with each vintage of the R&D tax credits. In order to determine the R&D tax credit for each vintage, PGE expects to incur costs to pay for a consultant who will help PGE determine the amount of R&D tax credit by tax return year. For the first vintage, PGE and the consultant will evaluate potential R&D tax credits for years 2016 through 2018.

The calculated credits will be applied to the respective tax returns, which will then be subject to IRS audit. An example of the timing for the first deferral vintage is as follows:

- 2018 – PGE receives Commission approval for deferred accounting.
- 2019 – PGE and consultant complete the review of 2016 through 2018 costs for determining potential R&D tax credits.
- 2019 – PGE incorporates the estimated R&D tax credits in the filed income tax returns.
- 2020 – PGE refunds 80%<sup>1</sup> of the estimated net benefits of the R&D tax credit to customers. PGE proposes to refund 80% of the net benefits because IRS audits typically disallow a portion of the proposed credit. If a net cost is projected, PGE will collect 50% of the net cost in accordance with the third partial stipulation filed September 6, 2018, in OPUC Docket No. UE 335.
- 2022 – the IRS completes its audit of PGE’s 2016-2018 tax returns or the statute of limitations expires, whichever is first, which determines the final, actual R&D tax credits allowed on PGE’s tax returns.
- 2022 – PGE adjusts the deferral balance to reflect the final, actual R&D tax credits allowed on the tax returns. This adjustment will establish an updated amount to refund or collect such that:
  - PGE’s customers will receive a refund of 100% of the Deferred Amount when it is a net benefit; or
  - PGE’s customers will receive a charge of 50% of the Deferred Amount when it is a net cost.
- 2023 – PGE refunds or collects the final amount of the net Deferred Amount or rolls

---

<sup>1</sup> Subject to change based on financial reporting requirements in accordance with ASC 740-10.

this amount into the subsequent deferral.

Subsequent vintages would comprise individual rather than multiple years of R&D tax credits, but would involve similar activities and length of process. Consequently, PGE would file for annual reauthorizations of the deferral and note the status and dollar amounts associated with each vintage of R&D tax credits.

The granting of this application will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers. Approving the application will not authorize a change in rates, but will permit the Commission to consider allowing such Deferred Amount in rates in a subsequent proceeding.

**C. Proposed accounting for recording amounts deferred.**

For each applicable vintage, and on a yearly basis:

- If the Deferred Amount is a credit, PGE proposes to record it as a regulatory liability in FERC account, 254 Other Regulatory Liability, with a debit to FERC account 407.3 Regulatory Debits.
- If the Deferred Amount is a debit, PGE proposes to record it as a regulatory asset in FERC account 182.3, Other Regulatory Assets, with a credit to FERC account 407.4, Regulatory Credits.

In the absence of a deferred accounting order from the Commission, PGE would continue to evaluate whether to pursue the R&D tax credit for shareholder benefit.

**D. Estimate of amounts to be recorded for the next 12 months.**

The first vintage of the R&D tax credit associated with PGE's R&D study will include applicable costs for the calendar years 2016 to 2018. Subsequent vintages would only incorporate individual calendar year periods.

PGE estimates the cost of the study to determine the first vintage of R&D tax credit to be approximately \$400,000 and the resulting R&D tax credits to be greater than those costs. Future single-year studies should cost less.

Table 1, below, lists the refund and adjustments of potential refunds by vintages:

**Table 1  
Timelines for R&D Tax Credit Vintages**

Vintage of qualified costs	2019	2020	2021	2022	2023	2024	2025
<b>Vintage 1: 2016-2018 (Assumes net benefits)</b>	Complete study to calculate R&D tax credit	Refund 80% of calculated tax credit (total credit minus reserve subject to IRS audit)		IRS completes audit. Adjustment of the final net credit vs amount refunded in 2020.	Refund the final amount of the net deferral or roll it into the subsequent deferral.		
<b>Vintage 2: (Assumes 2019 net benefits)</b>		Complete study to calculate R&D Tax Credit	Refund 80% of calculated tax credit (total credit minus reserve subject to IRS audit)		IRS completes audit. Adjustment of the final net credit vs amount refunded in 2021.	Refund the final amount of the net deferral or roll it into the subsequent deferral.	
<b>Vintage 3: (Assumes 2020 net benefits)</b>			Complete study to calculate R&D Tax Credit	Refund 80% of calculated tax credit (total credit minus reserve subject to IRS audit)		IRS completes audit. Adjustment of the final net credit vs amount refunded in 2022.	Refund the final amount of the net deferral or roll it into the subsequent deferral.

**E. Notice**

A copy of the Notice of Application for Deferral of net benefits or costs associated with R&D tax credits and a list of persons served with Notice are attached to the application as Attachment A. In compliance with the provisions of 860-027-0300(6), PGE is serving Notice of Application on the UE 335 Service List, PGE’s current general rate case.

## II. Summary of Filing Conditions.

### A. Earnings Review.

Refund of the final deferred amount for the R&D tax credits will be subject to an earnings review in accordance with ORS 757.259(5).

### B. Prudence Review.

A prudence review should be performed by the Commission Staff as part of the amortization and final adjustment filings.

### C. Sharing Percentages.

All prudently incurred costs and benefits would be collected or refunded from or to customers:

- PGE's customers will receive a refund of 100% of the Deferred Amount, when it is a net benefit.
- PGE's customers will receive a charge of 50% of the Deferred Amount when it is a net cost.

### D. Rate Spread / Rate Design.

Any Deferred Amount will be subject to a supplemental revenue schedule, grossed up for taxes, and allocated to each schedule using the applicable schedule's forecasted energy on the basis of an equal percent of revenues.

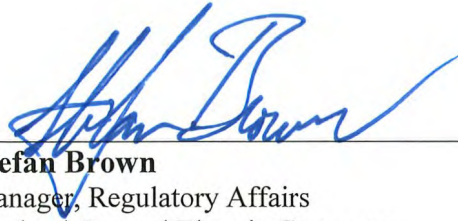
### E. Three Percent Test.

The amortization of the Deferred Amounts for each vintage associated with the R&D tax credits will be subject to the three percent test in accordance with the ORS 757.259(7) and (8), which limits aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

**III. Conclusion.**

For the reasons stated above, PGE requests permission to defer the Deferred Amount as described herein from the date of this Application.

DATED this 18<sup>th</sup> day of December 2018.



---

**Stefan Brown**

Manager, Regulatory Affairs  
Portland General Electric Company  
121 SW Salmon St., 1WTC 0306  
Portland, OR 97204  
Telephone: 503.464.7805  
Fax: 503.464.7651  
E-Mail: stefan.brown@pgn.com



**Attachment A**

**Notice of Application for Deferral of Net Benefits or Costs  
Associated with PGE's R&D Income Tax Credits**

**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UM XXXX

In the Matter of the Application of Portland General Electric Company for an Order Approving the Deferral of Net Benefits or Costs Associated with PGE's R&D Income Tax Credits

**Notice of Application for Deferral of Net Benefits or Costs Associated with PGE's R&D Income Tax Credits**

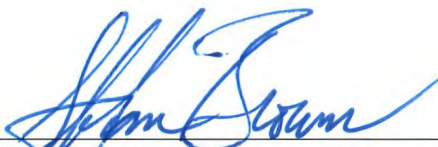
On December 18, 2018, Portland General Electric Company ("PGE") filed an application with the Public Utility Commission of Oregon (the "Commission" or "OPUC") for an Order authorizing deferral of net benefits or costs associated with PGE's research and development income tax credits.

Approval of PGE's application will not authorize a change in PGE's rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

Persons who wish to obtain a copy of PGE's application will be able to access it on the OPUC website.

Any person who wishes to submit written comments to the Commission on PGE's application must do so no later than January 18, 2019.

Dated: December 18, 2018



**Stefan Brown**

Manager, Regulatory Affairs  
Portland General Electric Company  
121 SW Salmon St, 1WTC0306  
Portland, OR 97204  
Telephone: 503.464.7805  
Fax: 503.464.7651  
E-Mail: stefan.brown@pgn.com

## CERTIFICATE OF SERVICE

I hereby certify that I have this day caused Notice of Application for Deferral of Net Benefits or Costs Associated with PGE's R & D Income Tax Credits to be served by electronic mail to those parties whose email addresses appear on the attached service list for OPUC Docket No. UE 335.

DATED at Portland, Oregon, this 18<sup>th</sup> day of December 2018.



---

Stefan Brown  
Manager, Regulatory Affairs  
On Behalf of Portland General Electric Company  
121 SW Salmon Street, 1WTC0306  
Portland, Oregon 97204  
Phone: 503.464.7805  
Fax: 503.464.7651  
E-Mail: [pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com)

# SERVICE LIST

## OPUC DOCKET NO. UE 335

### ALBERTSONS

BRIAN BETHKE  
11555 DUBLIN CANYON ROAD

250 PARKCENTER BLVD  
BOISE ID 83706  
brian.bethke@albertsons.com

CHRIS ISHIZU  
ALBERTSONS COMPANIES, INC.

250 PARKCENTER BLVD  
BOISE ID 83706  
chris.ishizu@albertsons.com

GEORGE WAIDELICH  
ALBERTSONS COMPANIES' INC.

11555 DUBLIN CANYON ROAD  
PLEASANTON OR 94588  
george.waidelich@albertsons.com

### AWEC UE 335

BRADLEY MULLINS (C)  
MOUNTAIN WEST ANALYTICS

1750 SW HARBOR WAY STE 450  
PORTLAND OR 97201  
brmullins@mwanalytics.com

TYLER C PEPPE (C)  
DAVISON VAN CLEVE, PC

1750 SW HARBOR WAY STE 450  
PORTLAND OR 97201  
tcp@dvclaw.com

ROBERT SWEETIN (C)  
DAVISON VAN CLEVE, P.C.

185 E. RENO AVE, SUITE B8C  
LAS VEGAS NV 89119  
rds@dvclaw.com

### CALPINE SOLUTIONS

GREGORY M. ADAMS (C)  
RICHARDSON ADAMS, PLLC

PO BOX 7218  
BOISE ID 83702  
greg@richardsonadams.com

GREG BASS  
CALPINE ENERGY SOLUTIONS, LLC

401 WEST A ST, STE 500  
SAN DIEGO CA 92101  
greg.bass@calpinesolutions.com

KEVIN HIGGINS (C)  
ENERGY STRATEGIES LLC

215 STATE ST - STE 200  
SALT LAKE CITY UT 84111-2322  
khiggins@energystrat.com

### FRED MEYER

KURT J BOEHM (C)  
BOEHM KURTZ & LOWRY

36 E SEVENTH ST - STE 1510  
CINCINNATI OH 45202  
kboehm@bklawfirm.com

JODY KYLER COHN (C)  
BOEHM, KURTZ & LOWRY

36 E SEVENTH ST STE 1510  
CINCINNATI OH 45202  
jkyler@bklawfirm.com

### NIPPC

ROBERT D KAHN  
NORTHWEST & INTERMOUNTAIN POWER  
PRODUCERS COALITION

PO BOX 504  
MERCER ISLAND WA 98040  
rkahn@nippc.org

IRION A SANGER (C)  
SANGER LAW PC

1117 SE 53RD AVE  
PORTLAND OR 97215  
irion@sanger-law.com

SIDNEY VILLANUEVA (C)  
SANGER LAW, PC

1117 SE 53RD AVE  
PORTLAND OR 97215  
sidney@sanger-law.com

**OREGON CITIZENS UTILITY BOARD**

OREGON CITIZENS' UTILITY BOARD

610 SW BROADWAY, STE 400  
PORTLAND OR 97205  
dockets@oregoncub.org

MICHAEL GOETZ (C)  
OREGON CITIZENS' UTILITY BOARD

610 SW BROADWAY STE 400  
PORTLAND OR 97205  
mike@oregoncub.org

ROBERT JENKS (C)  
OREGON CITIZENS' UTILITY BOARD

610 SW BROADWAY, STE 400  
PORTLAND OR 97205  
bob@oregoncub.org

**PACIFICORP**

PACIFICORP, DBA PACIFIC POWER

825 NE MULTNOMAH ST, STE 2000  
PORTLAND OR 97232  
oregondockets@pacificorp.com

MATTHEW MCVEE  
PACIFICORP

825 NE MULTNOMAH  
PORTLAND OR 97232  
matthew.mcvee@pacificorp.com

**PORTLAND GENERAL ELECTRIC**

PGE RATES & REGULATORY AFFAIRS

PORTLAND GENERAL ELECTRIC COMPANY  
121 SW SALMON STREET, 1WTC0306  
PORTLAND OR 97204  
pge.opuc.filings@pgn.com

STEFAN BROWN (C)  
PORTLAND GENERAL ELECTRIC

121 SW SALMON ST, 1WTC0306  
PORTLAND OR 97204  
stefan.brown@pgn.com; pge.opuc.filings@pgn.com

DOUGLAS C TINGEY (C)  
PORTLAND GENERAL ELECTRIC

121 SW SALMON 1WTC1301  
PORTLAND OR 97204  
doug.tingey@pgn.com

**SBUA**

JAMES BIRKELUND  
SMALL BUSINESS UTILITY ADVOCATES

548 MARKET ST STE 11200  
SAN FRANCISCO CA 94104  
james@utilityadvocates.org

DIANE HENKELS (C)  
CLEANTECH LAW PARTNERS PC

420 SW WASHINGTON ST STE 400  
PORTLAND OR 97204  
dhenkels@cleantechlaw.com

**STAFF**

STEPHANIE S ANDRUS (C)  
PUC STAFF--DEPARTMENT OF JUSTICE

BUSINESS ACTIVITIES SECTION  
1162 COURT ST NE  
SALEM OR 97301-4096  
stephanie.andrus@state.or.us

MARIANNE GARDNER (C)  
PUBLIC UTILITY COMMISSION OF OREGON

PO BOX 1088  
SALEM OR 97308-1088  
marianne.gardner@state.or.us

SOMMER MOSER (C)  
PUC STAFF - DEPARTMENT OF JUSTICE

1162 COURT ST NE  
SALEM OR 97301  
sommer.moser@doj.state.or.us

**WALMART**

VICKI M BALDWIN (C)  
PARSONS BEHLE & LATIMER

201 S MAIN ST STE 1800  
SALT LAKE CITY UT 84111  
vbaldwin@parsonsbehle.com

STEVE W CHRISS (C)  
WAL-MART STORES, INC.

2001 SE 10TH ST  
BENTONVILLE AR 72716-0550  
stephen.chriss@wal-mart.com