



Portland General Electric
121 SW Salmon Street · Portland, Ore. 97204

December 17, 2019

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 1991 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 Reauthorization of 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 and the UM 1991 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.

Sincerely,

A handwritten signature in blue ink that reads "Jaki Ferchland". The signature is written in a cursive, flowing style.

JF **Jaki Ferchland**
Manager, Regulatory Affairs

JF:np
Enclosure

cc: Service Lists UE 335 & UM 1991

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1991

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 Reauthorization of 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 reauthorization to defer 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 the 2019 Deferred Amount vintage (described below) for an eventual adjustment to reflect the final, actual Deferred Amount. This filing also requests that the deferral will support an automatic adjustment clause rate schedule, to provide for on-going changes in rates reflecting the net R&D tax credits and true-ups of the applicable vintages. If approved, this reauthorization will be effective December 18, 2019 through December 17, 2020.

I. Deferral History

Public Utility Commission of Oregon ("Commission" or "OPUC") Order No. 18-464 (Docket No. UE 335), adopted the third partial stipulation (dated September 6, 2018), which specifies that PGE will hire a consultant to determine how much of PGE's costs (including the Customer Touchpoints project, which went live in 2018) qualify for the R&D tax credits. The stipulation also specifies that any net benefit resulting from the study would be refunded to

customers and any net costs would be split evenly between PGE's customers and shareholders.

The R&D tax credit represents a federal and state¹ income tax incentive for the performance of qualified research within the U.S. to develop new or improved products, processes, or software. The R&D tax 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 used 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.

On December 18, 2018, PGE filed an initial application for deferral of net benefits or costs associated with PGE's R&D Tax Credits for the initial vintage of 2016-2018 tax credits. That filing also specified the projected flow of refunds and true-ups to actuals. PGE is currently awaiting Commission action on its initial application. Consequently, PGE has an unresolved initial deferral application and requests reauthorization for the subsequent deferral period.

II. OAR 860-027-0300 (3) Requirements

a. Description of Utility Expense for Which Deferred Accounting is Requested

See Deferral History above. Because of the on-going nature of refunding and trueing-up each vintage of R&D tax credits, PGE proposes that this deferral support an automatic adjustment clause.

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 the 2019 vintage of 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 to claim. The

¹ The Oregon R&D tax credit expired for tax years beginning after 12/31/2017

consultant will perform an initial scoping study to determine the 2019 qualified research expenses and an estimated tax credit. Based on the scoping study results, PGE will determine if there are sufficient tax credits to justify a complete R&D tax credit study.

The continuation of the deferral will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers. The approval of the application will support the use of an automatic adjustment clause rate schedule, which will provide for changes in rates reflecting the refund or collection of the applicable R&D tax credit vintages. Without reauthorization this deferral will expire on December 17, 2019.

c. Proposed Accounting for Recording Amounts Deferred.

PGE proposes to continue to use the two separate accounts for the applicable vintage, and on a yearly basis:

- If the Deferred Amount is a credit (refund), 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 (collection), 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 included tax years 2016 to 2018. The second vintage will reflect the 2019 tax year.

PGE's cost of the study to determine the first vintage of R&D tax credit (for tax years 2016

to 2018) was approximately \$0.4 million and the resulting R&D tax credits were estimated to be approximately \$5.3 million. The reserve for uncertain tax position is \$1.4 million, which PGE will maintain in the account as reserve² because IRS audits typically disallow a portion of the proposed credit. The first vintage net benefit available for refund is approximately \$3.5 million. The cost and benefits of the 2019 vintage will not be determined until that study is complete.

Table 1, below, lists the current vintages, the R&D tax credits, the adjustments to derive the net benefit available for customer refund, and the expected refund year:

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

		A	B	C	D=A+B+C			
(\$ in millions)	Tax Years	R&D Tax Credits	Reserve for Uncertain Tax Position	Study Cost	Net Benefit Available for Refund	Net Benefit Refund Year	Final Refund / Collection Amount*	Final Refund / Collection Year*
Vintage 1	2016-2017-2018	\$5.3	(\$1.4)	(\$0.4)	\$3.5	2021	TBD	TBD
Vintage 2	2019	N/A	N/A	N/A	N/A	2021	TBD	TBD

* Post IRS audit or expiration of statute of limitations

e. Notice

A copy of the Notice of Application for Reauthorization of 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 last general rate case, and the UM 1991 Service List.

² Subject to change based on financial reporting requirements in accordance with ASC 740-10.

III. OAD 860-027-0300 (4) Requirements

a. Description of Deferred Account Entries

Please see sections II(a) and II(c) above.

b. The Reason for Continuing Deferred Accounting

PGE seeks approval to continue to defer net benefits associated with PGE's actual R&D tax credits and the costs of a consultant to perform the studies to determine the proposed credits to claim on PGE's income tax returns as described above. Without reauthorization this deferral will expire on December 17, 2019.

IV. Summary of Filing Conditions

a. Earnings Review

The Deferred Amounts of the R&D tax credits will be subject to an automatic adjustment clause rate schedule and would not be subject to an earnings review under ORS 757.259.

b. Prudence Review

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

c. Share 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 (ORS 757.259 (6))

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.

V. PGE Contacts

Written communications regarding this Application should be addressed to:

Douglas C. Tingey
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PGE-OPUC Filings
Rates & Regulatory Affairs
Portland General Electric
1 WTC 0306
121 SW Salmon Street
Portland, OR 97204
Phone: 503.464.7805
E-mail: pge.opuc.filings@pgn.com

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

Marco Espinoza, Analyst Regulatory Affairs
E-mail: marco.espinoza@pgn.com

VI. PGE Conclusion

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

DATED this 17th day of December 2019.

for 

Jaki Ferchland,
Manager, Revenue Requirement
Portland General Electric Company
121 SW Salmon St., 1WTC 0306
Portland, OR 97204
Telephone: 503.464.7805
E-Mail: pge.opuc.filings@pgn.com

Attachment A

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

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1991**

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

On December 17, 2019, Portland General Electric Company ("PGE") filed an application with the Public Utility Commission of Oregon (the "Commission" or "OPUC") for an Order authorizing the continuance of the deferral of net benefits or costs associated with PGE's research and development income tax credits.

Approval of the application will support the use of an automatic adjustment clause rate schedule, which will provide for changes in rates reflecting the tax credits refund or collection of the applicable vintages.

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 17, 2020.

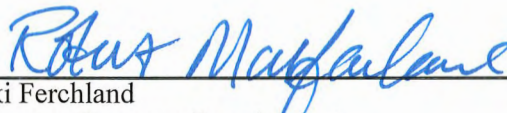
Dated: December 17, 2019.

for Robert Magala
Jaki Ferchland
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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused Notice of Application for Reauthorization of 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 PGE's last general rate case and the UM 1991 service list.

DATED at Portland, Oregon, this 17th day of December 2019.

for 

Jaki Ferchland
Manager, Revenue Requirement
On Behalf of Portland General Electric Company
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OPUC DOCKET # UM 1991**

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