



**Portland General Electric Company**  
121 SW Salmon Street • 1WTC0306 • Portland, OR 97204  
portlandgeneral.com

December 17, 2021

***Via Electronic Filing***

Public Utility Commission of Oregon  
Attention: Filing Center  
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 394 and UM 1991 service lists.

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) 464-7488 or Ben Orndoff at (541) 973-4304. Please direct all formal correspondence, questions, or requests to the following e-mail address [pge.opuc.filings@pge.com](mailto:pge.opuc.filings@pge.com).

Sincerely,

*/s/ Jaki Ferchland*

Jaki Ferchland  
Manager, Revenue Requirement

*JF:np*  
*Enclosure*

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1991**

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY

Application for Deferral of Net Benefits or  
Costs Associated with Research and  
Development Tax Credits

**PORTLAND GENERAL ELECTRIC  
COMPANY'S APPLICATION FOR  
DEFERRAL REAUTHORIZATION**

Pursuant to ORS 757.259, OAR 860-027-0300, and Public Utility Commission of Oregon (Commission or OPUC) Order No. 20-291, Portland General Electric Company (PGE) hereby respectfully requests reauthorization to defer the net benefits (Deferred Amount) 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 2022 Deferred Amount vintage (described below) for an eventual adjustment to reflect the final, actual Deferred Amount. This filing also requests reauthorization to continue the use of 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, 2021 through December 17, 2022.

**I. Deferral Summary**

Commission Order No. 18-464 (Docket No. UE 335), adopted the third partial stipulation (dated September 6, 2018), which specified that PGE will hire a consultant to determine how much of PGE's costs qualify for the R&D tax credits. The stipulation also specified 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<sup>1</sup> 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.

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

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

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

The deferral will record the 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 R&D tax credits to claim on PGE's income tax returns. In addition, each year's net benefit or cost constitutes a vintage of R&D tax credits. Because of the on-going nature of determining each vintage of credits, plus refunding them, and truing-up each vintage of R&D tax credits to final actual amounts, PGE proposes that this deferral continue to support an automatic adjustment clause.

### **b. Reasons for Deferral**

Pursuant to ORS 757.259(2)(e) and for the reasons discussed above, PGE seeks to continue deferred accounting treatment of the net benefits and/or costs associated with the 2021 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 consultant will perform an initial scoping study to determine the 2021 qualified research

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

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 current use of an automatic adjustment clause rate schedule, which provides 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, 2021.

c. Proposed Accounting for Recording Amounts Deferred.

PGE proposes to continue to use two separate accounts for the applicable vintage. 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 cost and benefits of the fourth vintage (for tax year 2021) will not be determined until that study is complete in the year 2022. 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**

(\$ in millions)	Tax Years	A R&D Tax Credits	B Reserve for Uncertain Tax Position	C Study Cost	D=A+B+C Net Benefit Available for Refund	Net Benefit Refund Year	Final Refund / Collection Amount*	Final Refund / Collection Year*
<b>Vintage 1</b>	2016-2017-2018	\$5.3	(\$1.4)	(\$0.4)	\$3.5	2021	TBD	TBD
<b>Vintage 2</b>	2019	\$0.27	\$0	(\$0.01)	\$0.26	2021	TBD	TBD
<b>Vintage 3</b>	2020	\$1.5	\$0	(\$0.08)	\$0.91	2022	TBD	TBD
<b>Vintage 4</b>	2021	TBD	TBD	TBD	TBD	2023	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 PGE’s R&D Income 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 UM 1991 and UE 394 Service Lists.

**III. OAR 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, 2021.

#### 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 based on the following:

- 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 105, 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:

Loretta Mabinton  
Managing Assistant General Counsel  
Portland General Electric Company  
121 SW Salmon Street  
Portland OR 97204  
(503) 464-7822  
loretta.mabinton@pgn.com

PGE OPUC Filings  
Rates & Regulatory Affairs  
Portland General Electric Company  
121 SW Salmon Street  
Portland OR 97204  
(503) 464-7805  
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:

Jaki Ferchland  
Manager, Revenue Requirement  
jacquelyn.ferchland@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 17<sup>th</sup> day of December 2021.

*/s/ Jaki Ferchland*

Jaki Ferchland,  
Manager, Revenue Requirement  
Portland General Electric Company  
121 SW Salmon St., 1WTC 0306  
Portland, OR 97204  
Telephone: 503.464.7488  
E-Mail: Jacquelyn.ferchland@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

PORTLAND GENERAL ELECTRIC  
COMPANY

Application for Deferral of Net Benefits or  
Costs Associated with Research and  
Development Tax Credits

**PORTLAND GENERAL ELECTRIC  
COMPANY'S NOTICE OF  
APPLICATION FOR DEFERRAL  
REAUTHORIZATION**

On December 17, 2021, Portland General Electric Company (PGE) filed an application with the Public Utility Commission of Oregon (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, 2021.

Dated: December 17, 2021.

*/s/ Jaki Ferchland*  
Jaki Ferchland,  
Manager, Revenue Requirement  
Portland General Electric Company  
121 SW Salmon Street  
Portland, OR 97204  
Telephone: 503.464.7488  
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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 394 PGE's current general rate case and the UM 1991 service list.

DATED at Portland, Oregon, this 17 day of December 2021.

*/s/ Jaki Ferchland*  
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Manager, Revenue Requirement  
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**SERVICE LIST**  
**OPUC Docket No. UE 394**

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**SERVICE LIST**  
**OPUC Docket No. UM 1991**

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