ITEM NO. CA20

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 17, 2019

REGULAR ____ CONSENT _X_ EFFECTIVE DATE ____January 1, 2020____

DATE: December 3, 2019

TO: Public Utility Commission

FROM: John Fox

THROUGH: Michael Dougherty and Marianne Gardner **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1064/Advice No. 19-31)
Revise Schedule 132 Federal Tax Reform Credit

STAFF RECOMMENDATION:

Approve Portland General Electric's (PGE or Company) application to amortize the remaining half of the $45 million 2018 net benefits associated with the tax rules and provisions implemented though the U.S. Tax Cut and Jobs Act of 2017(Tax Act).

DISCUSSION:

Issue

Whether the Public Utility Commission of Oregon (Commission) should approve PGE's revisions to Schedule 132, Federal Tax Reform Credit amortizing the Commission-approved deferred 2018 net benefits associated with the tax rules and provisions implemented through the U.S. Tax Cut and Jobs Act of 2017.

Applicable Rule or Law

Under ORS 757.205(1), a public utility must file schedules showing all rates, tolls, and charges for service that have been established and are in force at the time. The Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. ORS 757.210. Tariff revisions or corrections may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0005 and OAR 860-022-0025. Filings that make any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the changes. ORS 757.220.

OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules must include in its filing a statement plainly indicating the increase, decrease, or other change made with the filing, the number of customers affected by the proposed change and the resulting change in annual revenue; and the reasons or grounds relied upon in support of the proposed change.

Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred are allowed in rates to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral. ORS 757.259(4); OAR 860-027-0300(9).

Analysis

Background

On December 4, 2018, the Commission issued Order No. 18-459 approving PGE's Application for the Deferral of 2018 Net Benefits Associated with the U.S. Tax Reconciliation Act, docketed as UM 1920, for the twelve-month period beginning December 31, 2017, calculated to be $45 million.

On December 18, 2018, the Commission approved PGE's Schedule 132, Federal Tax Reform Credit amortizing the Commission-approved deferred 2018 net benefits associated with the tax rules and provisions implemented through the U.S. Tax Cut and Jobs Act of 2017.[1]

Earnings Test

Order No. 18-459 memorializes the following term governing application of an earnings test to the 2018 deferred tax benefit:

> 5. Parties acknowledge that the Commission must review earnings as specified by ORS 757.259(5), however PGE agrees that the $45 million refund will result in earnings that are within an acceptable level relative to the rate authorized by Commission Order No. 17-511 in PGE's 2018 general rate case, Docket No. UE 319.

[1] See *PGE ADV. NO. 18-25, NEW SCHED. 132 FEDERAL TAX REFORM CREDIT*, Docket No. ADV 893.

Review of the Company's Application
The Company's initial filing in this docket occurred on November 22, 2019, followed by a supplemental filing and revised tariff sheet on November 27, 2019.

The Company's initial filing requested to amortize in rates $24 million including interest, which is the remaining half of the $45 million 2018 net benefits associated with the tax rules and provisions implemented through the U.S. Tax Cut and Jobs Act of 2017. The amount, allocation, and amortization of the net benefits is consistent with the Staff Report and supported by the parties in Order No. 18-459 in docket UM 1920, which set the condition to price and amortize the credit balance over two years.

At the time current Schedule 132 rates were set, the amount refunded to ratepayers in the second year of the tariff, calendar year 2020, was expected to be $23.2 million including interest. The Company's initial filing increased this amount to $24.2 million due to a lower than expected amount actually refunded in 2019. Based on informal inquiry, the Company subsequently revised the underlying work papers to correct an error and filed a revised tariff set to recover $23.7 million in 2020.

Staff has reviewed the Company's work papers and finds that, based on projected 2020 sales, $23.7 million is a reasonable estimate of the amount necessary to return the Tax Act benefits, including interest, to ratepayers.

The Company has stated that any over or under amount remaining in the Schedule 132 balancing account at the end of 2020 will be transferred to the residual balancing account underlying Schedule 105 Regulatory Adjustments, which is adjusted annually as necessary to recover nonrecurring regulatory adjustments.

In compliance with OAR 860-022-0025(2), the Company states that the proposed Schedule 132 credit results in a 0.05 percent decrease for the approximately 900,000 (2020 forecasted) customers. A Schedule 7 residential customer consuming 800 kWh monthly will see a $0.03 or 0.03 percent decrease in their monthly bill.

Conclusion

For the reasons stated above, Staff recommends that the Commission approve the Company's proposed revisions to Schedule 132 Federal Tax Reform Credit.

PROPOSED COMMISSION MOTION:

Approve Portland General Electric's application to amortize the remaining half of the $45 million 2018 net benefits associated with the tax rules and provisions implemented though the U.S. Tax Cut and Jobs Act of 2017.